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P. M. 163
TRANSCRIPT OF RECORD

537028

S. S. C.

Supreme Court of the United States

OCTOBER TERM, 1942

No. 707

BENJAMIN W. FREEMAN, PETITIONER,

vs.

BEE MACHINE COMPANY, INC.

**ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT
OF APPEALS FOR THE FIRST CIRCUIT**

CERTIORARI FOR CERTIORARI FILED FEBRUARY 4, 1943.

CERTIORARI GRANTED MARCH 15, 1943.

SUPREME COURT OF THE UNITED STATES

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JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., MARCH 26, 1943.

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[fol. 1]

**UNITED STATES CIRCUIT COURT OF APPEALS FOR
THE FIRST CIRCUIT**

OCTOBER TERM, 1941

No. 3781

BEE MACHINE Co., Inc., Plaintiff, Appellant,

v.

BENJAMIN W. FREEMAN, Defendant, Appellee

TRANSCRIPT OF RECORD OF DISTRICT COURT

(Filed in Circuit Court of Appeals May 19, 1942)

No. 1224, Civil Action

BEE MACHINE Co., Inc., Plaintiff,

v.

BENJAMIN W. FREEMAN, Defendant

This cause was begun in the Superior Court for the County of Essex and Commonwealth of Massachusetts and was thence removed by the defendant to this District Court and duly entered at the March Term of this Court, A. D. 1941, and is in words and figures following:

RECORD OF STATE COURT

(Filed in District Court April 17, 1941)

[fol. 2] IN SUPERIOR COURT OF ESSEX COUNTY

WRIT OF ATTACHMENT AND RETURN

COMMONWEALTH OF MASSACHUSETTS

ESSEX, ss:

To the Sheriffs of our Civil Counties or their Deputies,
Greeting:

We Command You to attach the goods or estate of Benjamin W. Freeman commorant of Boston, Suffolk County, Massachusetts, to the value of Two Hundred and Fifty Thousand dollars, and summon the said defendant (if he may be found in your precinct) to appear before

our Justices of our Superior Court, at Salem, within our said County of Essex, on the first Monday of March next, then and there in our said Court, to answer unto Bee Machine Co., Inc., a Massachusetts corporation duly organized by law and having a usual place of business in Lynn, Essex County, Massachusetts, in an action of contract.

To the damage of the said plaintiff (as it says) the sum of Two hundred and Fifty Thousand dollars, which shall then and there be made to appear with other due damages. And have you there this writ with your doings therein.

Witness, John P. Higgins, Esquire, at Salem, the third day of Feb. in the year of our Lord One Thousand Nine Hundred and forty-one.

A. N. Frost, Clerk.

[fol. 3]

Boston, Feb. 4, 1941.

SUFFOLK, ss:

By virtue of this Writ, I this day attached a chip as the property of the within named Benjamin W. Freeman and afterwards on the same day I summoned said defendant to appear and answer at Court as within directed by delivering in hand to him a summons of this writ,

Fees: Service \$1.00

Travel 1.70

\$2.70

Thomas J. Hynes, Deputy Sheriff.

70276

BEE MACHINE CO., INC.,

versus

BENJAMIN W. FREEMAN

Returnable — —, 19—.

Judgment — —, 19—, for —.

Damage, \$—

Costs, \$—

Execution — —, 19—.

The plaintiff hereby claims a trial by jury.

James W. Sullivan, Attorney for Plaintiff, from the
Office of James W. Sullivan, 23 Central Avenue,
Lynn.

[fol. 4] Plaintiff's Costs		
Writ and Declaration	Service	55
Entry		3
Attorneys fee		
Travel — miles		
Term — fee		
Subpoenas and service		
Witnesses		
Motion for new trial		— —
		= =

Defendant's Costs

Attorneys fee		
Travel — miles		
Term — fee		
Subpoenas and service		
Witnesses		
Motion for new trial		— —
		= =

Tried — —, 19—.
 Before — —, J., and a jury.
 Stenographer — —.

[fol. 5] IN SUPERIOR COURT OF ESSEX COUNTY, MASSACHUSETTS

70276

BEE MACHINE CO., INC.,

v.

BENJAMIN W. FREEMAN

U. S. District Court Civil Action File 1224

PLAINTIFF'S DECLARATION

The plaintiff says that on November 29th, 1933 the defendant in consideration of a substantial sum of money paid by the plaintiff entered into a written agreement with the

plaintiff by the terms of which written agreement the defendant licensed the plaintiff to make at the plaintiff's factory in Lynn, Massachusetts, or in any other factories that might be established by the plaintiff in the New England States or in New York State, and sell certain dies, anvils and masks, the manufacture and sale of which the defendant claimed were controlled and covered by certain U. S. Letters Patent, described in said instrument of license as having been issued to the defendant or under which he claimed the right to license; that as further consideration for the granting of said license the plaintiff in said agreement agreed to pay the defendant a license fee in the amount stated in said license upon all articles made and sold by the [fol. 6] plaintiff under the terms of said license, in the territory stated in said agreement, the New England States and State of New York.

The plaintiff further says that the said dies, anvils and masks which it was licensed to make and sell by the said instrument of license above described were made and sold for use in connection with certain machinery manufactured by the defendant and others and that the defendant expressly agreed with the plaintiff in said instrument of license as follows:

"12. Licensor agrees that if — the future he should develop or acquire improvements in the dies, anvils and masks the license herein of the licensee shall have the right subject to the conditions of this license to use the same without additional royalty."

And the plaintiff says that thereafter the defendant did develop and acquire improvements in the dies, anvils and masks licensed by said instrument, and in a machine or machines made and sold by the defendant for use in connection with dies, anvils and masks, and the plaintiff by the terms of said instrument became entitled to manufacture and sell said improvements under the terms of the said license instrument, but the defendant refused to permit the plaintiff to manufacture said improvements, and failed and refused to furnish and deliver to the plaintiff the indispensable and [fol. 7] necesasry drawings and model parts required for the manufacture of the said improvements.

The plaintiff further says that the defendant facilitated and encouraged the manufacture of said improvements by

all licensees of the defendant in the territory in the New England States and New York State, and actively asserted and claimed to the trade and to customers of the plaintiff that the plaintiff was not licensed to make and sell said improvements, and that persons who might purchase said improvements from the plaintiff should the plaintiff attempt to make the same would be subjected to litigation to be instituted by the defendant and to damages payable to the defendant.

And the plaintiff says that by entering the said agreement the defendant became bound to exercise any and all rights possessed by the defendant under said patents or otherwise to assist and permit the plaintiff to secure the full enjoyment and benefits of the said license agreement, and also the defendant became bound to take no action which would result in diminishing or impairing the value of the rights or privileges granted to the plaintiff under the said license; but in violation of his said duty and agreement the defendant entirely failed and refused, and still fails and refuses, to take any action whatever to restrict or prevent the manufacture and sale of the said dies, improvements and appliances described in said license by manufacturers in the said territory of the plaintiff having no right or license to manufacture and sell the said articles in competition with the plaintiff and in violation of the defendant's claimed patent rights.

The plaintiff further says that the defendant in granting of licenses similar to the one herein described to other manufacturers in said territory intentionally limited the right to sell said articles to certain firms and purchasers thereof named in said license grants, and in violation of his said agreement with the plaintiff and for the purposes of diminishing and destroying the benefits to which the plaintiff was entitled under its license agreement with the defendant, the defendant granted to such other licensees the right to sell the said product to customers of the plaintiff, named in said licenses, but not to customers of the other licensees of the plaintiff.

And the plaintiff further says that by these and other wrongful actions the defendant has during the six years last past continuously and persistently violated and refused to perform the express and implied terms of the said instrument of license, and has intentionally taken all actions possible to diminish and destroy the value of the said contract

to the plaintiff, who has in all things performed all obligations by it undertaken in the said instrument, and as a result of said breach of his said agreement the defendant has substantially and seriously diminished and destroyed the value to the plaintiff of the rights and privileges to which it became entitled under the said instrument of lease, and has substantially and seriously damaged the general business of the plaintiff depending upon and connected with the said rights and privileges, in the extent stated in the plaintiff's writ herein.

By its Attorney James W. Sullivan.

IN SUPERIOR COURT OF ESSEX COUNTY

SPECIAL APPEARANCE OF DEFENDANT--Filed March 24, 1941

I hereby enter the appearance of the defendant in the above entitled cause, and myself as his attorney, limited to the purpose of presenting a Petition for Removal of said cause to the United States District Court for the District of Massachusetts.

Nathan Heard, Attorney for Defendant, 77 Franklin Street, Boston, Massachusetts.

[File endorsement omitted.]

[fol. 10] IN SUPERIOR COURT OF ESSEX COUNTY

NOTICE OF PETITION FOR REMOVAL

James W. Sullivan, Esq., Attorney for Plaintiff, Security Trust Building, Lynn, Mass.

You and the plaintiff in the above entitled action will please take notice that the defendant will, on Monday, March 24, 1941, at ten o'clock in the forenoon, file in the office of the Clerk of the Superior Court for the Commonwealth of Massachusetts for the County of Essex in which said action is now pending, his petition and bond for the removal of said action from said court to the District Court of the United States for the District of Massachusetts and at the same time, or as soon thereafter as counsel may be

heard, said petition and bond will be presented for disposition to said court at Salem in which this action is pending at the jury waive session thereof, and the defendant will move for an order granting said petition for removing the above entitled action to said District Court.

Copies of said petition and bond are served herewith.

Nathan Heard, Attorney for defendant.

Service of the foregoing notice of petition for removal and receipt of copies of said petition and bond is hereby acknowledged this — day of March, 1941.

— — —, Attorney for Plaintiff.

[fol. 11] IN SUPERIOR COURT OF ESSEX COUNTY

PETITION FOR REMOVAL OF CAUSE TO UNITED STATES DISTRICT
COURT FOR THE DISTRICT OF MASSACHUSETTS

To the Superior Court of the State of Massachusetts for
the County of Essex:

The petition of Benjamin W. Freeman, defendant in the
above entitled cause, respectfully shows to this Court:

1) The above entitled suit has been brought in this Court
and is now pending therein.

2) Said action is of a civil nature at law or in equity for
the breach of a written contract of license of manufactured
article.

3) The above entitled action involves a controversy which
is wholly between citizens of the different states in that Bee
Machine Co. Inc., the plaintiff in the above entitled cause,
was at the time of the commencement of said suit in this
Court, and ever since then, and at the present time, was and
is a corporation organized and existing under and by virtue
of the laws of the State of Massachusetts, and was and is a
citizen of the State of Massachusetts, having its principal
place of business at Lynn, in the County of Essex, in said
State, and that your petitioner, Benjamin W. Freeman, the
defendant in the said suit, was, at the time of the commence-
ment of said suit, and still is, a citizen of the State of Ohio,
residing at Cincinnati, in said State, and not a resident
[fol. 12] of the State of Massachusetts.

4) Said action is one of which the District Courts of the United States are given original jurisdiction.

5) The time within which your petitioner is required by the laws of this State and the Rules of this Court to answer or plead to the Declaration in the above entitled action has not yet expired.

6) The value of the matter in controversy in said action exceeds \$3000.00 exclusive of interest and costs, as appears from the allegations of plaintiff's Declaration, Writ, and Motion to Reduce Ad Damnum.

7) Petitioner presents herewith a bond with good and sufficient surety conditioned that he will enter in the District Court of the United States for the District of Massachusetts, within thirty days from the date of filing of this petition, a certified copy of the record in this suit, and that he will pay all costs that may be awarded by the said District Court in case the said Court shall hold this suit was wrongfully or improperly removed thereto.

8) Prior to the filing of this petition, and of said bond for the removal of this cause, written notice of intention to file the same was given by petitioner to the plaintiff as required by law, a true copy of which with proof of the service of the same is attached hereto.

Wherefore, your petitioner prays that this Court proceed [fols. 13-14] no further herein except to make an order of removal as required by law, and to accept said surety and bond, and to cause the record herein to be removed into said District Court of the United States within and for the District of Massachusetts, of the State of Massachusetts, according to the Statute in such cases made and provided.

Benjamin W. Freeman, Petitioner.

Duly sworn to by Benjamin W. Freeman. Jurat omitted in printing.

[fol. 15] Bond on Removal for \$500.00 omitted in printing.

[fol. 16] IN SUPERIOR COURT OF ESSEX COUNTY

AFFIDAVIT OF C. YARDLEY CHITTICK—March 21, 1941

STATE OF MASSACHUSETTS,

County of Suffolk, ss:

C. Yardley Chittick of Waban, Massachusetts, being duly sworn, deposes and says that he served upon James W. Sullivan, Esq., Attorney for the Plaintiff herein, at his office in Security Trust Building, Lynn, Massachusetts, the foregoing Notice, Petition, and Bond, by personally delivering to the said Sullivan on Friday, March 21, 1941, at about 8:30 A. M., true and accurate copies thereof.

C. Yardley Chittick.

Subscribed and sworn to before me, a Notary Public, this 21st day of March, 1941. Thomas J. Drummond, Notary Public. (Seal.)

IN SUPERIOR COURT ESSEX COUNTY

ORDER OF REMOVAL—March 26, 1941

Mar. 26, 1941.

BROADJURST, J.:

Petition and bond accepted, and ordered that the Court proceed no further in this suit.

Hollis L. Cameron, Asst. Clerk.

[fol. 17] IN SUPERIOR COURT OF ESSEX COUNTY

PLAINTIFF'S MOTION TO REDUCE AD DAMNUM AND ORDER THEREON—March 26, 1941

The plaintiff in the above entitled action moves to strike out of the ad damnum the words "Two Hundred and" so that as amended said ad damnum will read "Fifty Thousand".

By Its Attorney, James W. Sullivan.

Broadhurst, J. March 26, 1941. Motion allowed.

Hollis L. Cameron, Asst. Clerk.

Clerk's Certificate to foregoing papers omitted in printing.

[fol. 18] IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF MASSACHUSETTS

Civil Action. No. 1224

BEE MACHINE CO. INC., Plaintiff,

v.

BENJAMIN W. FREEMAN, Defendant

ANSWER

Now comes the defendant, Benjamin W. Freeman, and for the answer to the plaintiff's declaration, removed to this Court from the Essex County Superior Court Commonwealth of Massachusetts, doth say:

1) that all the issues set forth in said Declaration are res adjudicata having been heretofore determined adversely to the plaintiff herein by a final judgment entered October 10, 1939, by the U. S. District Court of Southern District of Ohio, Western Division, in the case of Bee Machine Co. vs. Benjamin W. Freeman et al. in Equity No. 1020, wherein the said Court had jurisdiction and the parties hereto were as here respectively plaintiff and defendant, which judgment is final and conclusive upon the matters and things set forth in the Declaration herein.

2) Further answering under protest that all matters herein are res adjudicata, the defendant admits that it entered into a written contract with plaintiff as alleged, but [fol. 19] denies that any sum of money was paid to him as a consideration for entering into such written contract, admits that said contract was a license to plaintiff to manufacture certain dies patented to the defendant, within the territory alleged by the plaintiff, same having been limited as to New York State, however, to take effect at a later date than the date alleged by the plaintiff, admits that the plaintiff agreed to pay a license fee as set forth in plaintiff's declaration and says that the licensee's fees were to apply to all dies made under the license by the plaintiff, which license was limited as to territory as set forth in the declaration of the plaintiff. Except as herein admitted the allegations of paragraph 1 of plaintiff's declaration are denied.

Defendant admits the allegations of the first sentence of the second paragraph of the declaration of the plaintiff. Defendant denies all of the allegations set forth in the second sentence following the quotation of Clause 12 of the aforementioned written contract constituting the first full paragraph on page 2 of plaintiff's declaration.

Defendant denies the allegations set forth in the second full paragraph of page 2 of the plaintiff's declaration.

Defendant denies the allegations set forth in the third paragraph on the bottom of page 2 and top of page 3 of plaintiff's declaration.

[fol. 20] Defendant denies the allegations set forth in the first full paragraph on page 3 of the plaintiff's declaration.

Defendant denies the allegations set forth in the paragraph beginning at the bottom of page 3 and ending on page 4 of the plaintiff's declaration.

3) Further answering and still under protest, the defendant says that on or about September 25, 1936, the defendant did, pursuant to the right given him in the contract referred to in the plaintiff's declaration, send a first notice of cancellation of the same to the plaintiff, said notice being based on the refusal of the plaintiff to pay the royalties or license fees required by the said contract and plaintiff's insistence upon paying such royalties or fees on a basis which was not in accordance with the said contract, and that on or about May 13, 1937, a second final notice of cancellation of said contract was sent to the plaintiff by the defendant in accordance with the said contract finally terminating the same, and that the plaintiff has never tendered to the defendant any royalties whatever from June 1936 to the date of this answer and is understood to insist that it is required to pay only a very small fraction of the royalties set forth in the said contract as being payable to the defendant, except that it is now accounting by payments to the Clerk of the Southern District of Ohio, in order to supersede a preliminary [fol. 21] injunction granted to the defendant against the plaintiff on one of the patents in the said contract.

4) Defendant further says that the plaintiff has filed two suits with reference to the matters now brought before this Court for the third time,—the first being filed in Essex County, Commonwealth of Massachusetts, on November 17,

1936; the second being Cause No. 1020 in equity, in the Southern District of Ohio, as herein above set forth; that said suit in Essex County was dismissed on account of failure to serve the defendant herein, and that the suit in the Southern District of Ohio was determined in favor of the defendant herein, duly adjudicating each and every issue brought forward in the declaration to which this is an answer, and duly finding that the contract referred to in the plaintiff's declaration was properly cancelled in June, 1937, for breaches preceding June 1936, and ordering an accounting by the plaintiff.

5) That defendant has been greatly damaged by the necessity of defending itself in this cause, most wrongfully filed, and charges that said cause was filed against defendant solely for the purpose of harassing him and causing him expense, and that the use of legal process against him while he was in the District of this Court, whereby he was summoned to appear in this cause in the Essex Superior Court, as aforesaid, was wrongful and known to the plaintiff to be wrongful, whereby the defendant has been greatly [fol. 22] damaged, caused to expend large sums for attorney fees, costs and expenses in an amount which defendant estimates at \$1000.00 to the present date, which sum should be repaid to defendant by plaintiff.

Defendant prays in accordance with the recitals in this answer, particularly Clause 5, as a counterclaim, that this Court do award to the defendant an amount to be determined by this Court representing the costs, expense and damage to the defendant arising out of the wrongful harassment and persecution of the defendant by the plaintiff therein alleged which sum be increased by the Court by an amount to be assessed by the Court as punitive damages to be paid to the defendant by the plaintiff.

Benjamin W. Freeman, by Allen & Allen, Attorneys,
706 Gwynne Building, Cincinnati, Ohio.

Of counsel: Marston Allen, Nathan Heard, 77 Franklin Street, Boston.

[fol. 23] IN UNITED STATES DISTRICT COURT

PLAINTIFF'S DEMAND FOR JURY TRIAL

Now comes the plaintiff in the above entitled action and demands a trial by jury.

By its attorney, James W. Sullivan, 23 Central Avenue, Lynn, Massachusetts.

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S REPLICATION TO DEFENDANT'S ALLEGED "COUNTER CLAIM" IN PARAGRAPH 5 OF DEFENDANT'S ANSWER FILED HEREIN

The plaintiff answering the matter contained in paragraph 5 of the defendant's answer filed herein says that the matters in said paragraph 5 contained do not state any counterclaim or cause of action having a foundation in law; and further answering said paragraph 5 the plaintiff denies all the allegations in said paragraph 5 contained, as fully and specifically as if said allegations were separately set forth and separately denied.

Bee Machine Co. Inc., by its Attorney, James W. Sullivan.

[fol. 24] IN UNITED STATES DISTRICT COURT

MOTION FOR SUMMARY JUDGMENT—Filed May 15, 1941

Now comes the defendant, B. W. Freeman, and moves this Court for a Summary Judgment in his favor, dismissing the Declaration herein on the ground that the issue raised by the said declaration is Res Adjudicata as a result of a decree dated Oct. 7, 1939, in a cause by and between the parties to the present cause in Cause in Equity No. 1020, in the United States District Court for the Southern District of Ohio, which decree as to the issues raised by the Declaration herein was a final decree, and if it be found that said decree is not final as to the matters in dispute in the present cause, then summary judgment of dismissal should be granted on the ground that a suit is pending in the Southern District of Ohio, instituted by plaintiff herein, in

which the issues in the present cause are presented for judgment between the same parties as those to the present cause.

Filed with this motion is a certified copy of the pleadings and decree in the cause in Equity No. 1020 aforesaid. Also filed herewith and supported by affidavit of counsel, are copies of certain United States Letters Patent, referred to in the pleadings filed by the plaintiff, who was plaintiff in both the said cause and the present cause as follows:

[fol. 25] U. S. Letters Patent No. 1,681,033. Reissues thereof, Nos. 20,202 and 20,203. U. S. Letters Patent No. 1,886,554. Reissue thereof No. 20,206.

U. S. Letters Patent Nos. 1,990,592, 2,084,335, 1,990,597, 1,990,598, 1,990,595, 1,990,593, 1,990,594, 1,990,596, 1,990,599, 1,960,486.

Benjamin W. Freeman, by Allen & Allen, his Attorneys, 706 Gwynne Bldg., Cincinnati, Ohio.

Of Counsel: Marston Allen, Nathan Heard.

[fol. 26] EXHIBIT TO MOTION FOR SUMMARY JUDGMENT

UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF OHIO,
WESTERN DIVISION

Equity No. 1020

BEE MACHINE COMPANY, Plaintiff,

VS.

BENJAMIN W. FREEMAN and THE LOUIS G. FREEMAN COMPANY, Defendants

BILL OF COMPLAINT

Now comes the plaintiff, Bee Machine Company, and for its Bill of Complaint, states that:

1. The plaintiff, Bee Machine Company, is a corporation of Massachusetts, with its principal place of business in Lynn, County of Essex, in said state; the defendant, Benjamin W. Freeman, is a citizen of the State of Ohio, and a resident of Cincinnati, Ohio; and the defendant, The

Louis G. Freeman Company, is a corporation of Ohio, with its principal place of business in Cincinnati, Ohio.

2. This is a suit based upon a license agreement which was entered into between said Benjamin W. Freeman and the plaintiff, on November 29, 1933, and upon certain acts of the defendants directed toward terminating said license agreement and in publishing to the trade statements that [fol. 27] are likely to arouse the belief that plaintiff is not a licensee, and is brought for the purpose of having the defendants enjoined from terminating the license and from publishing the statements aforesaid. The jurisdiction of the Court is based upon diversity of citizenship of the parties and upon the fact that the amount in controversy, exclusive of interest and costs, exceeds the sum of three thousand dollars (\$3,000.00).

3. On November 29, 1933, the plaintiff, and the defendant, Benjamin W. Freeman, executed an agreement which is herein referred to as a license contract, and a copy of which is hereto attached as Exhibit A.

4. The plaintiff has been conducting business continuously since the said November 29th, 1933, in all respects in accordance with the terms and provisions of said license.

5. The plaintiff until June, 1936, has paid all royalties in accordance with said License Contract. At that time, certain of the defendant's alleged U. S. Letters Patent became involved in litigation and was subsequently adjudicated as invalid. These invalid letters patent, which year plaintiff considered a valuable right was part and parcel together with Fifteen Thousand Dollars (\$15,000.00) in cash paid by the plaintiff to the defendant as consideration for the License Contract executed by the plaintiff. Upon information and belief, the plaintiff avers that it has overpaid the [fol. 28] defendant by reason of said adjudication together with the fact that the plaintiff has been overpaying fifteen per cent. royalty as set out in schedule "A" by computing the percentage on an erroneous selling price, and that a fair interpretation of the License Contract would necessarily lead to the conclusion that the actual selling price from the plaintiff to its customers was lower than the selling price alleged by the defendant. The plaintiff upon information and belief avers that there was a substantial

failure of consideration furnished by the defendant to the plaintiff for the License Contract.

6. For the purpose of harassing the plaintiff into unwarranted concessions with respect to said claims and the amount thereof by attempting to create apprehension on the part of the plaintiff, that the plaintiff might lose its License aforesaid, the defendant without any justification whatever on or about the twenty-fifth day of September, 1936, addressed to the plaintiff a letter, a copy of which is hereto annexed and marked "B", which letter the plaintiff received on or about the 28th day of September, 1936.

7. Upon information and belief the plaintiff avers that it is the present purpose of the defendant without any justification to injure the business of the plaintiff by seeking to make it clear to the plaintiff and to other manufacturers, dealers, and users of dies, etc., that the plaintiff has ceased [fol. 29] to have a License and that dies, etc., manufactured and sold by the plaintiff are an unauthorized infringement of patents owned and controlled by the defendant and the defendant has threatened to do so.

8. The defendant unless enjoined by this Court will take steps and continue to put into effect this injury to the plaintiff and to bring about this belief, which is calculated to diminish and destroy the business of the plaintiff.

9. The plaintiff continues to be actively engaged in said manufacture of dies and is dependent upon the presentation and belief of its customers that its products may be bought and used without any danger of claims by the defendant for infringement.

10. It is the purpose of the defendant to follow up said notice as set forth in schedule "B" by giving notice and making claim to terminate said License and to make claim to others in the trade and elsewhere that the plaintiff no longer has said License and the defendant unless enjoined by this Court will carry out said purpose.

11. The plaintiff has otherwise fully performed all terms and conditions of said License and is not in default thereunder.

12. The payments of royalties already made by the plaintiff to the defendant far exceed in amounts any royalties

which the defendant might claim were due under the License Contract and the plaintiff is not now in default.

[fol. 30] 13. Upon information and belief, the plaintiff avers that the defendant has developed or acquired an improvement on dies to which your plaintiff claims it has the right to manufacture in accordance with the agreement set out under paragraph 12 of the License Contract. The plaintiff further avers that the defendant has effected a plan whereby your plaintiff is denied its just claim to the said improved dies.

14. In the previous paragraphs where the name defendant appears except in paragraph 8 is reference to the individual defendant, namely, Benjamin W. Freeman.

15. Plaintiff is informed and believes and therefore avers that since the signing of the License Contract as set forth in schedule "A", the defendant Benjamin W. Freeman has assigned all his right, title and interest in the said agreement to the defendant, The Louis G. Freeman Company, and the plaintiff never assented to said assignment. On May 13th, 1937, the plaintiff received a letter which purported to be a notice to the effect that in a certain time the defendant corporation intended to cancel the License Contract already referred to, a copy of this letter or notice is hereto annexed and marked "C".

Wherefore the plaintiff prays:

First: that the defendants, their agents, servants and attorneys be forthwith temporarily enjoined until further order of this Court from terminating or doing any act [fol. 31] toward the termination of the License aforesaid, and from publishing to the trade or taking any other steps likely to arouse the belief or apprehension that the plaintiff is not duly licensed.

Second: That said injunction be made permanent.

Third: That the Court order an accounting between the parties hereto and establish the amounts due based upon a fair interpretation of the License Contract.

Fourth: That the Court order the defendant Benjamin W. Freeman to grant to the plaintiff, the right to use the defendant's improved dies without additional royalty in accordance with paragraph 12 of the License contract.

Fifth: That this plaintiff have such other and further relief as justice and equity require.

Bee Machine Company, By Vincent W. Burke, Treasurer. Richard Remke; Murray, Sockhoff, Zugelter & Paddock, Counsel for Plaintiff.

Duly sworn to by Vincent W. Burke; jurat omitted in printing.

[fol. 32] EXHIBIT "A" TO COMPLAINT

This agreement made this 29th day of November 1933, by and between Benjamin W. Freeman, of Cincinnati, Ohio, hereinafter called the Licensor, and the Bee Machine Company, a corporation of Massachusetts, having its usual place of business at Lynn, Massachusetts, hereinafter called the Licensee, witnesseth:

That, whereas, said Benjamin W. Freeman is the inventor and sole owner of U. S. Letters Patent No. 1,681,033, dated August 14, 1928, on Cut-Out Machines, dies, anvils and masks, and is the sole owner of U. S. Letters Patent No. 1,886,554, dated November 14, 1932, to George Knight, now being reissued, and U. S. Reissue Patent No. 17,085, dated September 18, 1928 (original patent No. 1,545,863, July 14, 1925) to Alfred J. Thomas, and has the right to grant license under Letters Patent No. 1,584,230 to Joseph [fol. 33] C. Knight, to all his present and future licensees under Freeman patent No. 1,681,033, said Letters Patent No. 1,584,230 having been assigned to Joseph C. Knight under date of January 25, 1929.

Whereas, the Licensee has heretofore made certain dies, anvils and masks, the manufacture, sale and use of which since the date of issue of said patents aforesaid, are an infringement thereof and both parties have effected a settlement of said past infringement and any claim for damages and profits arising therefrom; and effected a settlement for any royalties accrued to Freeman under said patents; and now desire to arrange for a license for the future; and

Now, therefore, this instrument witnesseth: That in consideration of the mutual covenants and agreements herein contained and of \$1.00 each to the other paid receipt of

which is hereby acknowledged it is hereby agreed as follows :

1. A non-exclusive license is hereby granted by said Licensor under said patents Nos. 1,681,033; 1,886,554; 1,584,230; and Reissue No. 17,085, or any reissues thereof, to the Licensee to make at its factory Lynn, Massachusetts, or any other factories as may be established by Licensee within the territory set forth in Clause 2, dies, anvils, and masks under said patents and to sell the same to shoe manufacturing establishments who now have or hereafter may acquire or own, or who have or will have cut-out machines [fol. 34] licensed under said patents.

2. This license to manufacture and sell such dies, anvils and masks is limited to the following territory, viz., the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut and New York.

3. Licensee agrees to pay to Licensor a sum as royalty equal to 15% of the selling price of each die, mask or anvil supplied, providing that said royalty amounts to not less than \$2.00 on any one item sold hereunder as a unit structure, be it die, mask, anvil or combination of the same sold as an item, in which case the Licensee agrees to pay a royalty of \$2.00 when said 15% does not equal \$2.00.

4. Licensee agrees that it will manufacture all dies, masks, anvils or other articles under this license in good workmanlike manner and of first class materials, and will supply same only for use in licensed machines and for none others, and Licensor shall have access during business hours to the factory of Licensee in order to view its manufacture of the licensed product and the Licensee shall supply full information as to the same.

5. The Licensee agrees that it will stamp each and every die, mask and anvil made and sold by it under this license with a serial number, commencing with the number B-1 and numbering each die, anvil or mask consecutively thereafter.

[fol. 35] 6. Licensee agrees that on each die, mask, anvil, or other part made and sold by them under this license, that it will cause to appear the patent number, viz: "Patent No. 1,681,033" together with Licensee's own name or mark as Licensee.

7. Among the items covered by this contract are dies, anvils and masks used in forming cut-outs in fitted uppers, and the Licensee agrees that it will not during the life of this contract make and/or sell any dies, anvils or masks for use in forming cut-outs in fitted shoe uppers, except those licensed hereunder, and that it will not make and/or sell any machines in infringement of said letters patent and engages to observe each and every condition of this agreement.

8. Licensee agrees to keep books of account covering all dies, masks and anvils produced and sold by it under this license and to permit access of Licensor or his representatives at reasonable times to the said books and to papers relating to the same and to supply copies of said accounts under oath if desired and from time to time as requested.

9. Licensee agrees that it will send to Licensor, accountings, returns and payments by the 20th day of each month of all dies, masks and anvils made in accordance with this license which it has sold during the preceding calendar months beginning with December first, 1933, and returns therefor commencing January 20th, 1934, said returns shall [fol. 36] include two impressions of each die made and sold under this license during the accounting period, together with name of customer, serial number of die, and the selling price and date of sale on one of said impressions.

10. This license may be cancelled by the licensor for cause or breach of condition by the Licensee upon first giving thirty (30) days written notice of the cause or breach complained of, and if not corrected within said time, a further written notice of cancellation may be sent by registered mail by Licensor cancelling this license within an additional thirty (30) days from said second notice, but such cancellation shall not affect the right of Licensor to collect royalties then due.

11. This license is personal to the Licensee for the territory herein reserved and for the Licensee's factory at Lynn, or such other factories that may be established by the Licensee within the territory set forth in clause 2 herein, and is under said Licensor's patents Nos. 1,681,033; 1,896,554, and Reissue No. 17,085, and No. 1,584,230, and any reissues thereof, or any other patent owned by or controlled by said Freeman which may be necessary for

the full enjoyment of the license rights by Licensee herein granted. Said Licensee agrees, during the continued existence of this contract, to cooperate with the Licensors in the protection of the patent monopoly granted under said [fol. 37] patents and in the development of the business thereof and thereunder.

12. Licensors agree that if in the future he should develop or acquire improvements in the dies, anvils, and masks licensed herein that the Licensee shall have the right, subject to the conditions of this license, to use the same without additional royalty, and the Licensee agrees that if it develops or acquires any such improvements that it will grant the Licensors Benjamin W. Freeman of Cincinnati, Ohio, and all licensees under patent No. 1,681,033, if requested to do so by the Licensors, a right to employ the same without charge, and Licensee further agrees that if it shall conclude to dispose of any patents on the same that it may develop or acquire, that it will first offer said patents to the Licensors at such price as it has been bona fide offered by others.

12. Unless previously cancelled according to its terms, this license shall continue to the end of the term of the last one to expire of the patents included therein.

In witness whereof, the parties hereto have interchangeably set their respective hands and seals, this 29th day of November, 1933.

Benjamin W. Freeman. Bee Machine Company, By
Vincent W. Burke, Treasurer.

Executed in duplicate.

[fol. 38] EXHIBIT "B" TO COMPLAINT

Registered Mail.

Cincinnati, Ohio, September 25, 1936.

Bee Machine Co., Lynn, Massachusetts.

Re: License Contract

GENTLEMEN:

Reference is made to the license contract dated November 29th, 1933, between the writer and the Bee Machine Co.,

as executed by Vincent W. Burke, Treasurer, including the letter of November 29th, 1933 as to the State of New York.

Clause 10 of the license states that the license may be cancelled for cause or breach of condition, upon thirty (30) days notice.

I beg to remind you that there have been many instances of breach and other occurrences affording cause for cancellation of the license, under Clause 10, since your telephone call of November 30th, 1934, and that I have not only been very patient and lenient with respect to these matters, but have gone to considerable trouble and expense in bringing these matters to your attention and endeavoring to have same corrected by you.

You will recall that we have even gone so far as to call upon you many times either in person, or by having our attorneys come in to see you and your attorney.

I now specifically remind you that we have received only incomplete royalty returns since November, 1935, such returns being based on an erroneous method of computing [fol. 39] royalties, to which your attention has been repeatedly directed. As a matter of fact we have received no royalty reports at all and no check covering royalty returns since June, 1936.

In view of the foregoing I hereby give you notice, pursuant to Clause 10 of the license contract above mentioned, that unless within thirty (30) days from the date of this notice the instances of breach of the contract be corrected, by a full and complete report upon and payment of royalties to date due under this license, that such contract will be cancelled and steps taken to collect the royalties due.

Very truly yours, (Signed) Benj. W. Freeman.

EXHIBIT "C" TO COMPLAINT

The Louis C. Freeman Co.

Cincinnati, Ohio,

May 13, 1937.

Bee Machine Company, Lynn, Massachusetts.

GENTLEMEN :

On September 25, 1936, we mailed you formal notice reciting breaches by you of license contract dated Novem-

ber 29, 1933. On October 20, 1936, we agreed to arbitrate the matters involved and that time would not run on our said notice during the arbitration.

On November 12, 1936, the date set for hearing before [fol. 40] Judge Peck, you appeared and refused, contrary to the advice of your counsel in attendance before the arbitrator, to proceed with the arbitration agreement, although we were prepared and were represented by counsel at that time.

This breach of the arbitration agreement by you removed the suspension of time running from our notice of September 25, 1936, and the total thirty days from formal notice having now expired without your breach of the license contract being cured, your license contract is hereby cancelled.

The contract gives you thirty days from date before the cancellation becomes effective.

Yours very truly, The Louis G. Freeman Company,
Benj. W. Freeman.

IN UNITED STATES DISTRICT COURT

ANSWER OF B. W. FREEMAN

Now comes the defendant, B. W. Freeman and states that the Bill of Complaint here does not contain as required by the Equity Rules, a "short plain statement of the ultimate facts upon which the plaintiff asks relief," nor, so far as any intelligible statement can be derived from the bill of complaint, does it state sufficient facts to constitute [fol. 41] a cause of action in equity against the defendant, and accordingly the defendant moves to dismiss the said bill of complaint, and further answering the defendant says:

1. He admits the facts stated in paragraph 1 of the Bill of Complaint.

2. He admits that this Court has jurisdiction of this cause as set forth in paragraph 2 of the bill of complaint but denies that the charges against the defendant as set forth in said paragraph are true.

3. He admits the facts stated in paragraph 3 of the bill of complaint.

4. He admits that the plaintiff has been conducting business since November 29th, 1933, but denies that it has been in accordance with the said license provisions.

5. The defendant does not understand what is stated in paragraph 5 of the bill of complaint, and hence can neither affirm or deny the same, and hence puts the plaintiff to its proofs, but in connection with the subject matter surrounding the allegations in said paragraph defendant says that plaintiff did not until June 1936, pay all royalties in connection with the said license contract, that one of the United States Letters Patent was held to be invalid as to certain claims thereof, and valid as to other claims thereof, by the Court of Appeals of the First Circuit whose mandate was handed down in October, 1936, but that the matters adjudicated invalid have been corrected in the United States [fol. 42] Patent Office by a re-issue of the said United States Letters Patent of the defendant; that the plaintiff never paid any sum of \$15,000 to the defendant, that the plaintiff at no time overpaid the defendant but that the plaintiff for a time paid the royalty required by the contract, Schedule A, on its selling price, and that thereafter the plaintiff arbitrarily and with no justification whatever, asserted that it should have some deduction from its selling price before computing royalties, and proceeded to credit itself and to cease paying royalties except upon some assumed balance due, to all of which the defendant objected, and defendant says that during the life of the said license contract between himself and the plaintiff, there was never a failure of consideration of any kind, from the defendant.

6. The defendant admits that he sent the letters attached as Schedule B to the plaintiff but denies the alleged purpose in doing so set forth in Paragraph 6 of the Bill.

7. Defendant denies the statements in Paragraph 7 as to defendant's purpose but says that he has the right to advise others that the plaintiff has no license contract with him, and that its dies are unauthorized infringement of patents belonging to him.

8. Defendant denies the facts stated in Paragraph 8.

9. Defendant admits that the plaintiff has continued to [fol. 43] manufacture dies as to which its customers will wish to know whether they are infringements or not upon

the defendant's patents, and states that the plaintiff is continuing to manufacture the same dies that it manufactured pursuant to the license contract, but without leave or license of the defendant. Otherwise defendant has no knowledge of the facts set forth in Paragraph 9 of the Bill of Complaint, and puts the plaintiff to its proofs.

10. Defendant denies the purpose alleged in Paragraph 10 of the Bill of Complaint, but asserts his right to perform the acts which according to said paragraph it is alleged that it is his purpose to perform.

11. Defendant denies the facts stated in Paragraph 11, in so far as he understands what is meant thereby.

12. The defendant denies the facts set forth in Paragraph 12 of the Bill of Complaint.

13. Defendant denies the facts set forth in Paragraph 13 in so far as he understands the same.

14 and 15. Defendant denies the facts stated in Paragraphs 14 and 15 but admits that the letter marked Schedule C, and attached to the Bill of Complaint was sent to the plaintiff by him, but states that the facts are true as set forth in said exhibit "C".

Wherefore, this defendant prays that the Bill of Complaint be dismissed and that he be awarded his costs.

[fol. 44]

FIRST COUNTERCLAIM

1. Defendant says that on or about the 29th day of November, 1933, he did enter into with the plaintiff that certain License Contract attached to the Bill of Complaint and marked Exhibit "A", and that up to and including October 25th, 1936, the defendant did truly perform all obligations imposed by the said contract upon him, but that the plaintiff failed to abide by and perform the obligations imposed upon the plaintiff in the said license contract.

2. Specifically the defendant says that while the plaintiff filed reports of its sales pursuant to the said license contract covering the period up to June, 1935 inclusive, in which the actual selling price of the plaintiff was employed as a basis for calculating royalties, yet defendant is informed and believes, that the plaintiff omitted to report the sales

of dies which while retained by the purchaser, were never paid for in full; thereupon the plaintiff commenced to and did file reports covering the months of July and August, 1935, on the arbitrary basis of deducting 20% from the selling price of the plaintiff, prior to calculating royalty, but without the knowledge of the defendant. Subsequently the plaintiff went over its previous reports assumed that it had a right to deduct 20% from the selling price before figuring royalty and proceeded without warrant or authority [fol. 45] to credit itself with the difference between what it had paid up to June, 1935, and what on this arbitrary basis it contended that it should have paid, and although the plaintiff reported sales of dies for November and December, 1935, and January 1936, still plaintiff contended that it did not need to pay the royalty because of this assumed credit against overpayment. Beginning with reports for February to May, 1936, the plaintiff reported its sales pursuant to the contract but continued to take the unauthorized credit of 20% off of its selling price, and tendered royalty payments on this basis, which the defendant refused to accept, and subsequently as covering the months of June, July, August and September, 1936, the plaintiff made a report pursuant to the license contract still on the assumed basis of a credit of 20% off of its selling price, but did not even tender the payment of royalty.

3. Defendant says that he protested against the said failure of the plaintiff to live up to the provisions of the contract, but the plaintiff having refused to make proper payments or reports, the defendant did send to the plaintiff the notice attached to the Bill of Complaint and marked "Exhibit B", whereby the license contract, Exhibit "A", was cancelled, unless within thirty days from September 25th, 1936, the plaintiff did correct its breach consisting of improper reports and non-payment of royalties due, [fol. 46] which defendant had a right to do pursuant to Clause 10 of the said license contract.

4. Defendant says that within thirty days of the receipt of said notice, the plaintiff did not repair the said breach of the said license contract, and accordingly on October 25th, 1936, said contract did become void and of no effect.

5. Defendant says that due to the complication in connection with plaintiff's accounts hereinabove set forth, it

will be necessary in order that justice may be done, that this Court do grant to the defendant an accounting in equity against the plaintiff, appointing a Master to investigate the books and papers of the plaintiff and to take and state an account of the amounts due from the plaintiff to the defendant for the period from November 29th, 1933, up to and including October 25th, 1936.

6. Defendant says that the plaintiff after receipt of notice of cancellation of the license contract attached to the Bill of Complaint and marked Exhibit "A", did enter into an arbitration contract with the defendant to arbitrate the question of the amount due by way of royalties, but that the plaintiff did breach said arbitration contract by refusing to continue with the same after the matter had been set down for hearing before the Arbitrator agreed upon by the plaintiff and the defendant, to the great damage of the defendant. The defendant says that in connection with [fol. 47] accounting by the plaintiff to the defendant, it should also be required to pay to the defendant his said damages.

SECOND COUNTERCLAIM

Defendant reaffirms all facts stated in his First Counterclaim herein, and in addition says:

1. That on December 3, 1923, the defendant, B. W. Freeman, being within the meaning of the United States statutes then in force, the original, first and sole inventor of a certain Cut-Out Machine for Shoe Uppers, and being entitled to a patent thereon under the provisions of the said statutes, duly filed in the United States Patent Office an application for Letters patent, Serial No. 678,213, for said invention.

2. That on August 14th, 1928, all requirements of the then existing statutes of the United States and Rules of Practice of the United States Patent Office having been complied with, Letters Patent of the United States No. 1,681,033 were duly granted to this defendant on said application, Serial No. 678,213, which letters patent or a certified copy thereof the defendant will produce as this Court may direct.

3. Defendant says that on or about October, 1936, he discovered that his said letters patent No. 1,681,033 were de-

fective and insufficient for the reason that the matter de-[fol. 48] scribed in the specification as originally filed, was not sufficiently claimed, which defects and errors arose through inadvertence, accident or mistake without any fraudulent or deceptive intention on the part of the defendant, and accordingly on October 30th, 1936, defendant did file applications for reissue of the said letters patent No. 1,681,033, in the United States Patent Office, to-wit, Serial No. 108,479 and 108,480, which applications were in due form of law to remedy the errors and remove the defects of the said original patent, and that on December 8th, 1936, all requirements of the statutes of the United States then in force having been complied with, Reissue letters patents Nos. 20,202 and 20,203 were issued to the defendant, as will more fully appear from the said re-issue letters patents or a duly certified copy thereof, which defendant will produce as this Court will direct, and of which profert is hereby made. And defendant says that as of said date, Dec. 8th, 1936, he did surrender to the United States Patent Office his original letters patent No. 1,681,033.

4. Defendant says that the plaintiff since October 25, 1936, did infringe upon the defendant's letters Patent No. 1,681,033 up to and including December 8th, 1936, and that after December 8th, 1936, and up to the present date, the plaintiff has infringed upon defendant's Letters Patents, Re-issue Nos. 20,202 and 20,203, by making or causing to be [fol. 49] made, selling or causing to be sold, and using or causing to be used, dies for cutting holes in shoe uppers, in accordance with and embodying the inventions disclosed and claimed in the said original letters patent, and re-issue letters patents, wilfully and without consent of the defendant, and that since December 8th, 1936, the defendant has contributed to the infringement of the method of decorating shoe upper disclosed and claimed in defendant's re-issue letters patent 20,203, and in providing dies for use in combination with machines in infringement of the machine claims of said reissue letters patent No. 20,203.

5. Defendant says that on January 14th, 1924, George Knight being within the meaning of the United States Statutes then in force, the original, first and sole inventor of a certain Perforating Machine, and being entitled to a patent thereon under the provisions of the said statutes, duly filed

in the United States Patent Office an application for letters patent, Serial No. 686,153, for said invention.

6. That on November 8th, 1932, the said George Knight having assigned his entire right, title and interest in and to the said application for United States Letters Patent to this defendant, B. W. Freeman, and all of the requirements of the then existing statutes of the United States and Rules of Practice of the United States Patent Office having [fol. 50] been complied with, Letters Patent of the United States No. 1,886,554 were duly granted to the said defendant on said application, Serial No. 686,153, which letters patent or a duly certified copy thereof, the defendant will produce as this Court may direct.

7. That thereafter, to-wit, on or about December, 1932, the said George Knight and the defendant did discover that the said Letters Patent No. 1,886,554 were defective and insufficient, for the reason that the matter described in the specification as originally filed was not sufficiently claimed, that the defects and errors which rendered the said specification and claims defective arose through inadvertence, accident or mistake, and without any fraudulent or deceptive intention on the part of George Knight or of the defendant, and that said George Knight and the defendant on December 21, 1932, applied in due form of law for a re-issue of the said letters patent No. 1,886,554, so as to remedy the errors and remove the defects in said original patent, and that on December 15th, 1936, all the requirements of the statutes of the United States then in force having been complied with, re-issue letters patent No. 20,206 were duly issued to the defendant, as will more fully appear from the said re-issue letters patent, or a duly certified copy thereof which defendant will produce as this Court will direct, and of which profert is hereby made.

[fol. 51] 8. Defendant says that the plaintiff since October 25th, 1936, did infringe upon the defendant's Letters Patent No. 1,886,554, up to and including December 15th, 1936, and that after December 15th, 1936, and up to the present date, the plaintiff has infringed upon defendant's Letters Patent, Re-issue No. 20,206, by making or causing to be made, selling or causing to be sold, and using or causing to be used, dies for cutting holes in shoe uppers, in accordance with and embodying the invention disclosed and

claimed in the said original letters patent, and re-issue letters patent, wilfully and without the consent of the defendant.

9. That by virtue of the premises, the plaintiff was well advised of the letters patent of the defendant, and of the plaintiff's infringement thereon, but that the plaintiff did deliberately infringe upon the said letters patent, and after the re-issues of the said letters patent, did continue such infringement, both of the claims of the original patents which were granted in the same language in the re-issue patents, and upon the claims of the said re-issue patents after the said re-issue patents were granted.

10. That the plaintiff has derived unlawful gains and profits from such infringement and that the said infringement will constitute an irreparable injury to the defendant unless enjoined by this Court, and that the defendant has been caused serious damages, wherefore the defendant is [fol. 52] entitled to a recovery of the gains and profits of the plaintiff, to be made whole of its damages, and to an injunction in equity against the continuance of the said infringement.

Defendant therefore prays:

1. For an injunction restraining the plaintiff, officers, agents, servants and employees from directly or indirectly causing to be made, selling or causing to be sold, or using or causing to be used, or contributing to the use by others of any devices or products made in accordance with or embodying or employing the inventions of the said Re-issue letters patent Nos. 20,202, 20,203, and 20,206, or any of them, or from infringement upon or violating the said letters patent or any of them in any way whatever.

2. That the plaintiff be required to account to and pay to defendant for the royalties due to the defendant up to and including October 25, 1936, upon the contract, Exhibit "A", attached to the Bill of Complaint, in so far as the same have not been accounted for and paid.

3. That the plaintiff be required to account to and pay to the defendant the defendant's damages arising out of breach of agreement to arbitrate, as hereinbefore set forth and plaintiff's profits from the infringement set forth as well as the damages to defendant arising therefrom.

4. That this cause be referred to a Master to take an account [fol. 53] counting of the profits to the plaintiff and the damages to the defendant arising out of the breach of contract and infringement of letters patent of the defendant, and of his findings to make due report to this Court, and for the recovery from the plaintiff of all said profits and damages and for the costs of the defendant.

5. For such other and further relief as the Court may deem proper and just in the premises.

Benjamin W. Freeman, by Allen & Allen, His Attorneys.

Duly sworn to by Benjamin W. Freeman. Jurat omitted in printing.

[fol. 54] IN UNITED STATES DISTRICT COURT

ANSWER OF THE LOUIS G. FREEMAN COMPANY

Now comes The Louis G. Freeman Company, and states that the Bill of Complaint here does not contain as required by the Equity Rules, a "short plain statement of the ultimate facts upon which the plaintiff asks relief," nor, so far as any intelligible statement can be derived from the bill of complaint, does it state sufficient facts to constitute a cause of action in equity against the defendant, and accordingly the defendant moves to dismiss the said bill of complaint, and further answering says:

1. That as to the facts set forth in the bill of complaint, it has no knowledge or interest except as follows: B. W. Freeman the other defendant in this cause, has an arrangement with this defendant whereby this defendant is the sole licensee entitled to manufacture machines within certain territories under the patents referred to in the bill of complaint, not including the territory in which the plaintiff operates pursuant to the license contract, Schedule A, filed with the bill of complaint, and further that the royalties from various license contracts are paid by said B. W. Freeman to this defendant, and that this defendant has in the past, does and will in the future pay to said B. W. Freeman adequate consideration for the receipt of said royalties. However, the patents included in the said license contract

are owned by B. W. Freeman who makes all contracts, [fol. 55] and whose obligations under the said contracts are his own obligations, and said B. W. Freeman has at no time assigned either the said license contract of the plaintiff, or any of the patents included therein to this defendant, and this defendant's interest in any income from the said license contract to the plaintiff arised only after the said income has been received by said B. W. Freeman, and this defendant says that its interests in the patents of B. W. Freeman being confined to territories other than those in which the plaintiff operates, and the contract in suit not being the property of this defendant in any way, this defendant is not a proper party to this litigation and should be dismissed therefrom, and be awarded its costs most wrongfully sustained.

The Louis G. Freeman Company, by Allen & Allen,
Its Attorneys.

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S REPLY TO COUNTERCLAIMS

REPLY TO FIRST COUNTERCLAIM

The plaintiff, Bee Machine Company, for its Reply to the first counterclaim says:

(1) Answering Paragraph 1 of the first counterclaim, plaintiff admits entering into the License Contract attached to the Bill of Complaint and marked Exhibit "A" but de-[fol. 56] nies each any every other allegation of said Paragraph.

(2) Answering Paragraph 2 of the first counterclaim, plaintiff denies each and every allegation therein contained and further avers that plaintiff has at all times fully performed all the obligations imposed upon it by said License Contract or has at all times been ready, able and willing to perform all the obligations imposed upon him by said Contract except as prevented by the defendant.

(3) Answering Paragraph 3 of the first counterclaim, plaintiff acknowledged receipt of the notice attached to the

Bill of Complaint and marked Exhibit "B" but denies each and every other allegation of said Paragraph.

(4) Answering Paragraph 4 of the first counterclaim, plaintiff denies each and every allegation therein contained.

(5) Answering Paragraph 5 of the first counterclaim, plaintiff denies each and every allegation therein contained.

(6) Answering Paragraph 6 of the first counterclaim, plaintiff admits entering into an arbitration contract with the defendant but avers that its entering into such contract was induced by misrepresentation on the part of the defendant and that said arbitration contract was subsequently cancelled by mutual agreement of the parties but except as [fol. 57] expressly admitted plaintiff denies each and every other allegation of said Paragraph.

PLAINTIFF'S REPLY TO SECOND COUNTERCLAIM

(1) Answering Paragraph 1 of the second counterclaim, plaintiff admits the filing of application for letters patent, Serial No. 678,213 but denies each and every other allegation of said Paragraph.

(2) Answering Paragraph 2 of the second counterclaim, plaintiff admits the grant of letters patent No. 1,681,033 but does not know and is not informed save by said counterclaims as to the other matters alleged therein and therefore denies the same.

(3) Answering Paragraph 3 of the second counterclaim, plaintiff admits the filing of applications for reissue of letters patent No. 1,681,033 to wit: Serial Nos. 108,479 and 108,480, and the grant of reissue letters patent Nos. 20,202 and 20,203 and the surrender of his original letters patent No. 1,681,033 but denies each and every other allegation of said Paragraph.

(4) Answering Paragraph 4 of the second counterclaim, plaintiff denies each and every allegation of said Paragraph for the reason that it has been licensed under letters patent No. 1,681,033 and reissue patents Nos. 20,202 and 20,203 as set forth in said License Contract attached to the Bill of Complaint marked Exhibit "A", which said Contract is [fol. 58] still in force between the parties.

(5) Answering Paragraph 5 of the second counterclaim, plaintiff admits the filing of application for letters patent,

Serial No. 686,153 but denies each and every other allegation of said Paragraph.

(6) Answering Paragraph 6 of the second counterclaim, plaintiff admits the grant of letters patent No. 1,886,554 but denies each and every other allegation of said Paragraph.

(7) Answering Paragraph 7 of the second counterclaim, plaintiff admits the filing of application for reissue of said letters patent No. 1,886,554 and the grant of reissue letters patent No. 20,206 but denies each and every other allegation of said Paragraph.

(8) Answering Paragraph 8 of the second counterclaim, plaintiff denies each and every allegation of said Paragraph for the reasons that it has been licensed by the defendant under said letters patent No. 1,886,554 and reissue No. 20,206 as set forth in said License Contract attached to the Bill of Complaint and marked Exhibit "A", which said License is still in force between the parties. //

(9) Answering Paragraph 9 of the second counterclaim, plaintiff denies each and every allegation of said Paragraph for the reasons that plaintiff has been licensed by the defendant under said letters patent and reissue thereof as set forth in said License Contract attached to the Bill of Complaint marked Exhibit "A", which said License is [fol. 59] still in force between the parties.

(10) Answering Paragraph 10 of the second counterclaim, plaintiff denies each and every allegation therein contained.

Wherefore the plaintiff prays that the first and second counterclaims be dismissed.

(Signed) Bee Machine Company, by Vincent W. Burke, Treasurer.

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S MOTION FOR LEAVE TO AMEND ITS REPLY TO
DEFENDANT'S SECOND COUNTERCLAIM AND ORDER THEREON

Now comes the Plaintiff, Bee Machine Company, by its attorneys and moves this court for leave to amend its reply to defendant's second counterclaim in the following particulars; to wit:

1. After paragraph 10, page 4 of Plaintiff's Reply to Second Counterclaim add the following:

(11) Further answering, plaintiff says that said Letters Patent in suit Reissue Nos. 20,202, 20,203 and 20,206 are invalid and void and of no effect to secure any exclusive rights to the defendant, in the event that this Court shall rule that said License Contract attached to the Bill of [fol. 60] Complaint and marked Exhibit "A" is void and of no effect. Since the defense that plaintiff has been licensed by the defendant under the letters patent in suit Reissue Nos. 20,202, 20,203 and 20,206, is a full and complete defense against defendant's said Second Counterclaim, in the event that this Court rules that the said License Contract Exhibit "A" is still in force between the parties, plaintiff hereby moves that its defense of license to said second counterclaim be separately heard and disposed of by the Court pursuant to the provisions of Federal Equity Rule 29, before a trial on the merits of said Second Counterclaim.

(12) Further answering, plaintiff says that the said Benjamin W. Freeman was not the first, original and sole inventor of the alleged improvements in Cut-Out Machines for Shoe Uppers purporting to be described and claimed in said Letters Patent No. 1,681,033 and reissue Letters Patent Nos. 20,202, 20,203, or any substantial or material part thereof, and that the said George Knight was not the first, original and sole inventor of the alleged improvements in Perforating Machines purporting to be described and claimed in said Letters Patent No. 1,886,554 and Reissue Letters Patent No. 20,206, or any substantial or material part thereof; but avers that the said alleged respective inventions were not new at the time of the alleged invention thereof by the said Benjamin W. Freeman, or George Knight, respectively, but was patented, shown

or described by the following Letters Patent and printed publication prior to the date of alleged invention and discovery thereof:

The remaining paragraphs 12 to 22 thereof set up defenses to the merits of the Defendant Freeman's Second Counterclaim not here involved.

And for the reasons aforesaid, the plaintiff submits that it ought not to be decreed to account for and pay over any royalties under the license contract attached to the Bill of Complaint and marked Exhibit "A", and ought not to be decreed to account for and pay over any supposed gains, profits or damages and ought not to be restrained and enjoined as prayed for in the defendant's second counter claim and it submits that the defendant is not entitled to any relief whatsoever against this plaintiff.

All of which matters and things this plaintiff is ready and willing to aver, approve and maintain as this Honorable Court directs and it humbly prays to be hence dismissed without costs and charges on its behalf most wrongfully sustained.

Dike, Calver & Gray, Attorneys for Plaintiff.

[fol. 62] Boston, Massachusetts, April 30, 1939.

Entry of the foregoing amendment is hereby consented to.
 — — —, Attorneys for Defendant.

So ordered:

— — —, United States District Judge.

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S MOTION FOR LEAVE TO AMEND ITS BILL OF COMPLAINT AND ORDER THEREON

Now comes the plaintiff, Bee Machine Company, by its attorneys and moves this Court for leave to amend its Bill of Complaint in the following particulars, to wit:

1. At the end of Paragraph 5 (Page 2) and as a part of the same add the following:

That the plaintiff has at all times fully performed all the conditions and obligations imposed upon it by the said License Contract, and has at all times been ready, able and

willing to perform all the obligations imposed upon it by said contract except as prevented by the defendants. Nevertheless the defendants have attempted to impose on the plaintiff obligations not specified in the License Contract, nor properly to be implied therein, in the following particulars:

(1) By stating and insisting that under said License [fol. 63] Contract the 15% royalty to be paid by the plaintiff to the defendants must be figured on the selling price of the dies after the royalty has been added, making the actual royalty to be paid by the plaintiff 17¼% of the original selling price of the die to the shoe manufacturer, instead of the 15% specified in the said License Contract.

(2) By stating and insisting that under said License Contract the 15% royalty to be paid must be figured on the selling price of the dies before the usual trade discounts are deducted.

(3) By stating and insisting that, under said License Contract, the plaintiff is required to pay the 15% royalty on all dies which have been sold and delivered even though the plaintiff never receives payment for the same, as when the purchaser goes bankrupt.

(4) On or about June 3, 1936 Letters Patent to Freeman No. 1,681,033 owned by the defendants, and one of the patents under which the plaintiff was licensed in said License Contract, was held invalid by the United States Circuit Court of Appeals for the First Circuit in Premier Machine Company v. Benjamin W. Freeman, 84 F. (2d) 425 with respect to the anvil die, and three claims relating to the mask were held valid if strictly limited. By reason of said decision and decree on June 3, 1936 the anvil die [fol. 64] became public property and free of any Freeman monopoly and free to anyone, including the plaintiff, to make, use or sell without payment of royalty to the said defendants. Nevertheless, since June 3, 1936 the defendants wrongfully and without justification have claimed and alleged that the plaintiff is still obligated to pay the defendants the same 15% royalty on said anvil die, because the defendant Freeman was able to reissue his original letters patent No. 1,681,033 in the Patent Office, which became Reissue Letters Patent No. 20,202 and 20,203 containing certain method claims. As the plaintiff is informed and

believes, the reissue of said Freeman patent with method claims is, as a matter of law, ineffective to secure to the defendants any monopoly in and to anvil dies which have been held to be unpatentable by the United States Circuit Court of Appeals for the First Circuit as aforesaid.

(5) Since the decision of the United States Circuit Court of Appeals for the First Circuit on June 3, 1936 aforesaid, the defendants have also wrongfully and without justification claimed and alleged that the plaintiff under the License Contract aforesaid is nevertheless required to pay the 15% royalty on the total selling price of all anvil and flat bed dies used in combination with a mask, rather than 15% [fol. 65] of the selling price of the mask alone, because the claims of Freeman reissue No. 20,202 relating to the mask specify the mask in combination with the die. An anvil or flat bed die, is however, an old and unpatentable device, to which a mask is added, (said mask being merely an edge gauge locating from on top of the work), and performs no new function whatever when the anvil or flat bed die is combined with a mask. As the plaintiff is informed and believes, the improvement of one part of an old combination, as by adding the mask to an anvil or flat bed die, as a matter of law, gives a patentee no right to claim that improvement in combination with other old parts which perform no new function in the combination. The defendants' interpretation of the meaning and effect of said License Contract as above specified is unjustified and without warrant, and the plaintiff in disagreeing with the defendants in their interpretation of the meaning and effect of said License Contract have provided the defendants no cause or breach of condition by the plaintiff justifying the attempted cancellation of the said License Agreement by the defendants.

2. At the end of Paragraph 13 (page 4) add the following:

The improvement in dies, anvils and masks which the plaintiff has the right to use without payment of additional [fol. 66] royalty, under the provisions of Paragraph 12 of the License Contract, relate to combined markings and cut-out dies, and are embodied in Freeman patents owned by the defendants No. 2,084,335, granted June 22, 1937, and Nos. 1,990,592, 1,990,595, 1,990,597 and 1,990,598, granted

February 12, 1935, and possibly others at present unknown to this plaintiff, but which when found the plaintiff will ask leave to have inserted in this Bill of Complaint.

3. In the Prayer for Relief (page 5) at the end of Paragraph Third change the period to a comma and add the following:

and specifically determine the five points in dispute between the parties as enumerated in the amendment to Paragraph 5 of the Bill of Complaint involving the interpretation of the License Contract and plaintiff's obligations thereunder since June 3, 1936, the date of the decision of the United States Circuit Court of Appeals for the First Circuit in Premier Machine Company v. Benjamin W. Freeman, 84 F. (2d) 425.

4. In the Prayer for Relief (page 5) at the end of Paragraph Fourth change the period to a comma and add the following:

said improved dies being those embodied in Freeman patents owned by the defendants No. 2,084,335 and Nos. 1,990,592, 1,990,595, 1,990,597 and 1,990,598.

5. At the end of the Prayer for Relief (page 5) add the following paragraph:

[fol. 67] Sixth: For a decree ordering the defendants to pay the costs of this suit.

Cedric W. Porter, Dike, Calver & Gray, Attorneys for Plaintiff.

Boston, Mass., May 11, 1938.

Entry of the foregoing amendment is hereby consented to.
 — — —, — — —, Attorneys for Defendants.

So Ordered: — — —, U. S. D. J.

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S SECOND MOTION FOR LEAVE TO AMEND ITS BILL OF COMPLAINT AND ORDER THEREON

Now comes the plaintiff, Bee Machine Company, by its attorneys, and moves this Court for leave to amend its Bill of Complaint in the following particulars, to wit:

1. At the end of Paragraph 5, page 4 of plaintiff's Amendment to paragraph 5 (page 2) of plaintiff's original Bill of Complaint, add the following:

6. Assuming plaintiff's obligation to pay royalties, since the decision of the United States Circuit Court of Appeals for the First Circuit in Premier Machine Company v. Benjamin W. Freeman aforesaid, to be on the mask alone as set [fol. 68] forth in the paragraph immediately above, the defendants wrongfully and without justification claim and allege that the mask is then subject to the minimum royalty of Two Dollars as provided in Paragraph 3 of the License Contract. As the plaintiff is informed and believes, the minimum royalty provision is not applicable to a mask alone, which does not exist and has no function or utility except in combination with and as part of a die.

2. After "Nos. 1,990,592" line 7 of the Amendment No. 2 at the end of Paragraph 13 (page 4) to the Bill of Complaint strike out "1,990,595, 1,990,597, 1,990,598, granted February 12, 1935" and insert in place thereof the following—1,990,593, 1,990,594, 1,990,595, 1,990,596, 1,990,597, 1,990,598, and 1,990,599, granted February 12, 1935 and 1,960,486, granted May 29, 1934.

3. In Amendment No. 3 to the Bill of Complaint in the Prayer for Relief, line 1 change "five" to *six*.

4. In Amendment No. 4 to the Bill of Complaint in the Prayer for Relief, lines 3 and 4, strike out "1,990,595, 1,990,597 and 1,990,598" and insert in place thereof the following—1,990,593, 1,990,594, 1,990,595, 1,990,596, 1,990,597, 1,990,598, 1,990,599 and 1,960,486.

Cedric W. Porter, Dike, Calver & Gray, Attorneys for Plaintiff.

[fol. 69] Boston, Mass., Date: May 25, 1938.

Entry of the foregoing amendment is hereby consented to.
Allen & Allen, Attorneys for Defendants.

So Ordered: ———, U. S. D. J.

IN UNITED STATES DISTRICT COURT

STIPULATION AS TO ISSUE AND TRIAL—June 1, 1939

It is stipulated and agreed by and between counsel that the issue of the existence of a License Agreement between the parties shall be tried first and separately, under Equity Rule 29, and that the case proceed to trial without amendments to the pleadings at this time.

It is further agreed that counsel for the defendants has been fully apprised of the subject matter sought to be pleaded and that said subject matter may be tendered as evidence subject to objection as to the competency of such matters at all, but not subject to any objection on the ground that defendant has not been apprised as to them or that plaintiff has not properly pleaded them.

It is further understood that the court will not pass upon [fol. 70] the filing of the pleadings submitted this morning at this time, but will defer its ruling with the agreement that if the court later holds that they may be filed, it may be done without prejudice to the rights of plaintiff or defendant and may be filed as of the date of this stipulation.

Nevin, Judge.

Mr. Raymond Kunkel for the Plaintiff, Mr. Marston Allen for the Defendants.

IN UNITED STATES DISTRICT COURT

INTERLOCUTORY JUDGMENT

This Cause having come on to be heard upon the pleadings and proofs taken in open Court and the briefs of both parties, limited, however, to "the issue of the existence of a License Agreement between the parties" pursuant to a Stipulation entered June 1, 1939, and upon consideration thereof, it is hereby

Ordered, Adjudged and Decreed as follows:

(1) that the Plaintiff's Bill of Complaint is hereby dismissed.

(2) That the plaintiff's Bill of Complaint in so far as it relates to the defendant, The Louis C. Freeman Company, is hereby dismissed with costs to said Defendant Company.

(3) That the License Agreement between the parties was properly cancelled by the defendant Freeman, for cause or

[fol. 71] breach of condition by the Plaintiff justifying the cancellation upon his (Freeman's) part.

(4) That defendant's first counterclaim, insofar as it seeks an accounting against the Plaintiff of the amounts due from the Plaintiff to the Defendant for the period from November 29, 1933 up to and including June 12, 1937, is hereby granted; and that this case be referred to John W. Menzies as a master of this Court to take and state the amounts due from the plaintiff to the defendant under said license agreement between the parties for the period from November 29, 1933 up to and including June 12, 1937, and referred thereon; and that the plaintiff and its employees and agents are hereby directed and required to attend before said master from time to time as required and to produce before him such books and documents as relate to the matter in issue and to submit to such oral examination as the master may require.

(5) That Defendant's first counter-claim insofar as it seeks an accounting and damages arising out of an alleged breach by the plaintiff of an agreement to arbitrate between the parties is hereby dismissed.

(6) That the merits of defendant's second counter-claim which seeks an injunction against the Plaintiff from infringement of letters patent to Freeman Reissue No. 20,202 and 20,203 and to Knight reissue No. 20,206 from October 25, 1936 to date, and to Plaintiff's Amended Reply thereto, [fol. 72] except as to the Plaintiff's defense of license to said Second Counterclaim, are not passed upon at this time and are left to further hearing and trial between the parties.

(7) That Plaintiff's Motion for Leave to Amend its Reply to Defendant's Second Counterclaim is hereby granted in accordance with the provisions of the last paragraph of the stipulation between the parties of June 1, 1939.

(8) That plaintiff's First and Second Motions for Leave to Amend its Bill of Complaint are hereby granted, and the Plaintiff's Bill of Complaint as thus amended is hereby dismissed.

(9) That plaintiff's Motion for Leave to File a Supplemental Bill is hereby denied without prejudice to the right of the plaintiff to bring to the attention of the Court by appropriate pleading, any infraction of its right which it be-

lieves the defendant has committed or is committing in connection with representations or threats to the trade or plaintiff's customers.

(10) That the defendant Freeman, recover his costs to date in this Court.

Nevin, United States District Judge.

Cincinnati, Ohio, October 7, 1939.

Approved as to form: Cedric W. Porter, Dike, Calver & Gray, Attorneys for Plaintiff. Marston Allen, Allen & Allen, Attorneys for Defendant.

[fol. 73] IN UNITED STATES DISTRICT COURT

CLERK'S CERTIFICATE

UNITED STATES OF AMERICA,
Southern District of Ohio, ss:

I, Harry F. Rabe, clerk of the United States District Court in and for the Southern District of Ohio, do hereby certify that the annexed and foregoing is a true and full copy of the original Bill of Complaint filed June 3, 1937, Answer of the Louis G. Freeman Company filed June 18, 1930; Answer of B. W. Freeman filed June 18, 1937; Plaintiff's Reply to First Counterclaim filed August 25, 1937; Plaintiff's Motion to Defendant's Second Counterclaim filed May 13, 1938; Plaintiff's Second Motion for Leave to Amend its Bill of Complaint filed May 27, 1938; Stipulation of June 1, 1938; and Interlocutory Judgment entered October 10, 1939, in the case of Bee Machine Company, Plaintiff vs. Benjamin W. Freeman and The Louis G. Freeman Company, Defendants, in Equity No. 1020.

Now remaining among the records of the said Court in my office.

In testimony whereof I have hereunto subscribed my name and affixed the seal of the aforesaid Court at Cincinnati, Ohio, this tenth day of May, A. D. 1941.

Harry F. Rabe, Clerk, by Charles C. Ehel, Deputy Clerk.

[fol. 74] IN UNITED STATES DISTRICT COURT

AFFIDAVIT OF MARSTON ALLEN

Marston Allen, being first duly sworn deposes and says that he is of counsel for the defendant in the above entitled action and that since the filing of motion for Summary Judgment therein on behalf of the defendant there has been issued from the Court of Appeals of the Sixth Judicial Circuit its decree of affirmance of the decree which is relied upon in said Motion for Summary Judgment. Attached to this affidavit are the Clerk's notice, attached to which is the decree of the Court of Appeals and attached also to which is the Decision of the District Court together with the Findings of Fact and Conclusions of Law, referred to in the decree of the Court of Appeals.

Marston Allen.

• *Duly sworn to by Marston Allen. Jurat omitted in printing.*

[fol. 75] EXHIBIT TO AFFIDAVIT OF MARSTON ALLEN

DECISION—August 14, 1939

NEVIN, *District Judge:*

This is a suit in equity in which plaintiff, Bee Machine Company, a Massachusetts corporation seeks to enjoin defendants herein, Benjamin W. Freeman and The Louis G. Freeman Company, an Ohio corporation, both of Cincinnati, Ohio, from canceling a certain patent license agreement entered into between the parties, dated November 29, 1933.

Plaintiff filed its bill of complaint in this court on June 3, 1937. Based upon the allegations of its bill and for reasons therein set forth it prays that the defendants be "enjoined until further order of this Court from terminating or doing any act toward the termination of the License aforesaid, and from publishing to the trade or taking any other steps likely to arouse the belief or apprehension that the plaintiff is not duly licensed."

On June 18, 1937, answers were filed on behalf of The Louis G. Freeman Company and Benjamin W. Freeman, individually, respectively. In its answer The Louis G. Freeman Company alleges that it has no knowledge of, or in-

terest in, the facts set forth in the bill of complaint; that it is merely a "licensee entitled to manufacture machines within certain territories under the patents referred to in the bill of complaint, not including the territory in which the plaintiff operates", that the patents referred to "are owned [fol. 76] by B. W. Freeman who makes all contracts, and whose obligations under the said contracts are his own obligations."

It further alleges that it "is not a proper party to this litigation and should be dismissed therefrom". No reply or other pleading has been filed to the answer of The Louis G. Freeman Company.

In view of the findings and rulings hereinafter made, the court is of opinion that the defendant, The Louis G. Freeman Company, should be dismissed from this action with its costs. All references hereinafter made to the defendant will be made, and will apply, to defendant, Benjamin W. Freeman.

✓ In his answer Benjamin W. Freeman admits certain allegations of the bill and denies others. Included with his answer are two counterclaims. As will presently appear, it is unnecessary to discuss the issues raised by the bill of complaint and the answer thereto and the first counterclaim and reply thereto, although reference to some allegations therein contained may be necessary in order to ascertain certain facts which are pertinent to the issue now before the Court, particularly as all of the allegations of the first counterclaim are re-affirmed (but not re-written) in the second counterclaim.

In his second counterclaim defendant, Benjamin W. Freeman, alleges patent infringement upon the part of plaintiff [fol. 77] herein of the patents involved in the license contract referred to by plaintiff in its bill of complaint. Defendant alleges that that contract has been rightfully cancelled and prays for an injunction restraining plaintiff "from directly or indirectly causing to be made, selling or causing to be sold, or using or causing to be used, or contributing to the use by others of any devices or products made in accordance with or embodying or employing the inventions of the said Re-issue letters patents Nos. 20,202, 20,203, and 20,206, or any of them, or from infringement upon or violating the said letters patent or any of them in any way whatever."

Defendant prays also for an accounting from the date of the cancellation of the contract.

On August 25, 1937, plaintiff filed its reply to defendant's first and second counterclaims. In reply to the second counterclaim plaintiff plead the license contract, referred to in its bill of complaint. The second counterclaim on behalf of defendant and plaintiff's reply thereto raise the issue of the existence of a license agreement between the parties. Amended pleadings on other points have been tendered but, as yet, have not been filed because, on June 1, 1938, the parties hereto, by their respective counsel and with the approval of the court, entered into a certain stipulation. The original of this stipulation was filed in this court on June 1, 1938. It was made a part of the record at the trial be-[fol. 78] ginning November 17, 1938 (Rec. P. 1). It read as follows: "It is stipulated and agreed by and between counsel that the issue of the existence of a License Agreement between the parties shall be tried first and separately, under Equity Rule 29, and that the case proceed to trial without amendments to the pleadings at this time.

It is further agreed that counsel for the defendants has been fully apprised of the subject matter sought to be pleaded and that said subject matter may be tendered as evidence subject to objection as to the competency of such matters at all, but not subject to any objection on the ground that defendant has not been apprised as to them or that plaintiff has not properly pleaded them.

It is further understood that the court will not pass upon the filing of the pleadings submitted this morning at this time, but will defer its rulings with the agreement that if the court later holds that they may be filed, it may be done without prejudice to the rights of plaintiff or defendant and may be filed as of the date of this stipulation." Thus, as already indicated, the only issue at present before the court is that of the existence or non-existence of the license contract.

There appears to be some slight confusion in the minds of counsel as to just what documents now before the court raise this issue. In their brief (P. 2) counsel for defendant [fol. 79] say "the present issue arises on the original bill and answer, the third counterclaim of the defendant, and the plea of license in the plaintiff's reply to this counterclaim." Also on page 3 of their brief counsel for defendant make reference to the "third counterclaim".

In their reply brief counsel for plaintiff (P. 1) say "We are unaware of any third counterclaim. Probably the second counterclaim is meant."

The record (Pp. 10, 11, 12) shows that, at the trial, the following statements were made:

"The Court: I just wanted to check these over. I have the bill of complaint filed June 3, 1937, the answer of The Louis G. Freeman Company filed June 18, 1937, and the answer of B. W. Freeman, filed June 18, 1937.

"Mr. Allen: With three counterclaims.

"The Court: Does that contain the counterclaims?

"Mr. Allen: Two counterclaims, yes.

"The Court: And the plaintiff's reply to the first counterclaim, filed August 25, 1937.

"Mr. Allen: That is correct.

"The Court: The issue comes up, then, on the counterclaim and plaintiff's reply to the first counterclaim, is that it?

"Mr. Porter: Yes, your Honor.

"The Court: All right. That is all the pleadings, then, I will have to consider at this time, just the first counter-[fol. 80] claim and the reply thereto.

"Mr. Allen: Well, what it comes up on is, the only pleading it comes up on hasn't got anything to do with anything except the question of whether there is a license between the parties, and our first counterclaim involves a good many different things. Our second counterclaim is the patent infringement suit that we brought against these people because we contend they went on after the license was cancelled.

"The Court: Plaintiff's reply was filed on August 25, 1937, plaintiff's reply to the first counterclaim.

"Mr. Allen: In the reply to the second counterclaim is where he sets up license, in the reply to the second counterclaim.

"The Court: You have only two counterclaims?

"The Court: I am trying to get down to what I have to consider. All I have to consider is the second counterclaim and the reply thereto.

"Mr. Allen: Yes, and the bill of complaint insofar as it sets up that the license was cancelled.

"The Court: This answer of Louis G. Freeman Company hasn't anything to do with this matter at this time.

"Mr. Allen: No."

The court agrees with counsel for plaintiff that defendant's counsel are evidently referring throughout to second [fol. 81] counterclaim (there appears to be no third counterclaim) and the court has so treated the pleadings in its consideration of the present issue.

From a consideration of all of the evidence and the applicable law, discussed by counsel in their briefs and arguments, the court has reached certain determinations which are set forth fully in its findings of fact and conclusions of law. It would serve no useful purpose to here enter upon a lengthy recital of the facts nor to discuss the contentions of the respective parties as to the law. The facts as well as the views of the court as to the law are sufficiently disclosed in its findings and conclusions. They are as follows:

FINDINGS OF FACT

1. Plaintiff, Bee Machine Company, is a corporation duly organized and existing under the laws of the Commonwealth of Massachusetts.

2. Defendant, Benjamin W. Freeman, is a resident and citizen of Cincinnati, Ohio. Defendant, Louis G. Freeman Company, is a corporation duly organized and existing under the laws of the State of Ohio.

3. On November 29, 1933, defendant, Benjamin W. Freeman, in writing granted plaintiff, Bee Machine Company, a non-exclusive license to manufacture dies, anvils and masks for making cut-outs for fitted shoe uppers embodied in Freeman patent No. 1,681,033 (Ex. J-1), George Knight [fol. 82] patent No. 1,886,554 (Ex. J-2), Thomas Reissue Patent No. 17,085 (Ex. J-4), all owned by the defendant Benjamin W. Freeman, and Joseph Knight patent No. 1,584,230 (Ex. J-3) under which Freeman had the right to grant licenses, limited however to the New England States and New York State—as embodied in the agreement (Ex. I).

4. The license agreement was prepared by Freeman's attorney and is a standard form of license granted by Freeman under his cut-out die patents. Plaintiff was represented by counsel in connection with the signing of the license agreement. It was prepared in June, 1933, and not finally executed by plaintiff until Nov. 1933 (Rec. Pp. 286-287).

5. Clause 10 of the license agreement (Ex. I) reads as follows: "10. This license may be cancelled by the Licensor for cause or breach of condition by the Licensee upon first giving thirty (30) days written notice of the cause or breach complained of, and if not corrected within said time, a further written notice of cancellation may be sent by registered mail by Licensor cancelling this license within an additional thirty (30) days from said second notice, but such cancellation shall not affect the right of Licensor to collect royalties then due."

6. By a letter (Ex. AA) dated September 25, 1936, defendant notified Bee Machine Company that under Clause 10 of the agreement there had been instances of breach of [fol. 83] the agreement and that unless corrected within thirty days the license would be cancelled.

7. The running of time of thirty days following the first notice of cancellation referred to above (Finding No. 6) was suspended by an Arbitration Agreement entered into between the parties, dated October 20, 1936 (Ex. M-8). Setting of the arbitration was had on November 12, 1936, which was attended by the parties and their counsel. Because of some alleged misunderstanding, at that time, regarding the relationship of the named arbitrator to the parties, the arbitration did not proceed and was cancelled

(Rec. Pp. 128 et seq.—194 et seq.).

8. Plaintiff on November 17, 1936, filed suit against defendant, B. W. Freeman in the Massachusetts State Courts seeking to enjoin him from cancelling the license contract, and obtained a temporary order to that effect (Rec. Pp. 196, 197, Ex. 21 identification). In May 1937, this proceeding was dismissed (Rec. P. 200) for want of jurisdiction over the defendant, and thereupon by letter dated May 13, 1937, (Ex. C. C.), defendant B. W. Freeman, gave notice that the license contract would be terminated in thirty days from said date. Within said thirty days, to-wit, on June 3, 1937, the plaintiff filed the bill herein, in this court.

9. Defendant, B. W. Freeman, filed his answer to the bill of complaint, and certain counterclaims. The second counterclaim is a suit for injunction by defendant, B. W. Freeman, due to alleged infringement of the patents of said defendant since the cancellation of the contract. The

patents in suit (on the counterclaim) are Reissue 20,202 (Ex. K-1) and 20,203 (Ex. K-2) of Freeman, and Re 20,206 (Ex. K-3) of George Knight, same (Ex. K-1 and K-2) being reissues of patent No. 1,681,033 and (Ex. K-3, 1,886,554, which had been listed in the license agreement. To this counterclaim plaintiff filed, among other things a plea of license under said reissue patents by virtue of the aforesaid license agreement. In a written stipulation (Rec. P. 1) signed by counsel for the respective parties hereto and filed herein on June 1, 1938, it was agreed that this issue of license be tried separately and prior to the other issues in the case. (The stipulation as heretofore set out in full is adopted by the court and made a part of these findings without repetition here).

10. The license contract between defendant and plaintiff was granted as part of a settlement of a patent suit brought by defendant B. W. Freeman, against plaintiff in the U. S. District Court in Boston, Mass., on his (Freeman's) patent No. 1,681,033. Plaintiff satisfied the claim of the defendant for past infringement in said litigation, in addition to accepting the said license contract (Ex. I), whereupon the said patent suit was dismissed.

11. Difficulty between the parties as to the license began [fol. 85] late in 1934, when reports for royalties and payment thereof were delayed so that defendant had to write and wire with regard to them (Exhibits 8, 9, 10, 11a, 11b). In March 1935 plaintiff submitted a report on dies sold, together with royalty check therefor, in which report an arbitrary amount had been deducted from the sales price of each die before calculating the royalty thereon (Ex. M-1 and M-2). There was no explanation made to defendant in connection with this report and it was accepted as genuine. Another such report containing an arbitrary deduction was rendered to defendant by plaintiff for June 1935, without explanation.

12. No reports were submitted after that until on September 14, 1935, when plaintiff submitted a revised report restating all previous reports and claiming an overpayment (Ex. M-2) with a letter (Ex. M-3). The letter purported to explain the report as being one which was to take care of dies sold but not paid for because of "bankruptcy, discounts or otherwise". Defendant replied with a letter (Ex.

14) dated September 27, 1935. In this letter defendant stated he did not understand "just what you are driving at" and insisted upon his regular royalties. He refused to permit any deduction.

13. For the months of July and August, 1935, plaintiff submitted apparently regular reports, paid the royalties and they were accepted. For the months of September and [fol. 86] October 1935, plaintiff submitted apparently regular royalty reports, paid the royalties and they were accepted. These reports, like the March and June reports, in reality stated as the sales prices on which royalty was calculated, sums 20% less than the true sales prices.

14. After October, 1935, no royalty reports were received by defendant, B. W. Freeman, from plaintiff until February 1936, when reports were submitted for November, and December, 1935, and January, 1936, but without royalty check. Said reports (Ex. M-4) contained a slip stating "The check is not included, as we are crediting the amount of it against past overpayments."

15. Thereupon defendant Freeman visited the factory of the plaintiff and later plaintiff sent in a report (Ex. M-5) for February 1936, with further deduction and tendering a check for \$54.15. This check was returned by defendant to plaintiff with a letter (original Ex. P. Copy in Ex. M-5) dated March 24, 1936.

16. What defendant found from his visit to plaintiff was that plaintiff was deducting from the sales price received by it for each die a sum of 20% before the royalty due under the contract was calculated and that this had been the basis for the revised report, (Ex. M-2).

17. Thereafter plaintiff sent reports for March and April to defendant with check (Rec. Pp. 189-190) to cover. These [fol. 87] reports (Ex. M-7) were fair on their face but defendant wired to inquire if they included the 20% deduction, and having received no reply retained the checks (marked Ex. 15 and 16 for identification. Rec. P. 190). Subsequently a report (Ex. M-7) for May 1936, was sent to defendant with a check (Rec. P. 190—Ex. 17 for identification) which he also retained. The retained checks have not been cashed (Rec. P. 190—Exs. 15-16-17 for identification).

18. Thereafter no reports were submitted to defendant and on Sept. 25, 1936, the letter of cancellation (Ex. AA) hereinabove (Finding No. 6) referred to was sent by defendant to plaintiff.

19. Plaintiff (by Mr. Burke, President and Treasurer—Rec. Pp. 31, 128 et seq., 194 et seq.) then came to Cincinnati, and at Cincinnati mailed reports for June, July, August and September, 1936, to defendant, on October 20, 1936 (Ex. 23), at which date the arbitration agreement (Ex. M-8) hereinabove (Finding No. 7) referred to was entered into.

20. The contract contains no provision giving plaintiff the right to deduct 20% from sales prices of its dies before calculating royalty. This is the amount which it adds in making up the sales price of dies made under the Freeman contract over the price on dies not made under this contract.

21. Plaintiff has offered defendant, B. W. Freeman, as payment covering the accounts of June, July, August and [fol. 88] September 1936, a sum equal to 15% of \$2.50 on all mask type dies sold by plaintiff, and nothing for anvil dies sold by plaintiff. This is not in accordance with the contract.

22. Plaintiff has made no accounts, at all since those submitted previous to the arbitration contract, and paid no money whatever to B. W. Freeman since June 1936.

23. Plaintiff did not make good the default called to its attention by the first notice of cancellation on September 25, 1936 (Ex. AA) prior to the receipt of the second notice of default on May 13, 1937 (Ex. C. C.).

24. In June 1936, plaintiff by virtue of reports from which deductions were taken, had paid or offered to pay to defendant 20% less than it was required to pay under the license contract. After June 1936 plaintiff did not offer to pay anything whatever to defendant up to and including the date of the filing of the Bill of Complaint herein. Accordingly plaintiff was in default of royalties in September 1936, when the first notice of cancellation was given. It was further in default in May 1937, when the final notice was given.

25. Plaintiff has advanced no reason whereby it could be assumed that it (plaintiff) understood the contract in suit

warranted the deduction of 20% before payment of royalties. There was no misunderstanding between the parties as to interpretation of the agreement. The failure to pay [fol. 89] adequate royalties was purely arbitrary.

26. No other licensee of Freeman ever contended that he could deduct 20% before calculating royalties, from the sales prices of dies sold under similar licenses. A complete review of the invoices of three licensees having like contract to that of the plaintiff, shows that no such deductions had been taken without the defendant's knowledge.

27. The license contract (Ex. I) was cancelled by defendants, Benjamin W. Freeman for cause or breach of condition justifying the cancellation upon his (Freeman's) part. (In their reply Brief counsel for plaintiff say—Pp. 1 and 2 "That Freeman attempted to cancel the contract is admitted. That the contract was cancelled for cause is denied. The principal question in the case is whether the plaintiff has given 'cause or breach of condition' justifying the attempted cancellation by Freeman.")

CONCLUSIONS OF LAW

1. Plaintiff, Bee Machine Company, failed to pay the royalties due defendant Freeman, up to September 25, 1936, when the first notice of cancellation was sent by defendant. What it paid it paid on the basis of a claimed deduction which was unauthorized by the contract. For a period from May 1936 to May 1937, when the contract was finally cancelled [fol. 90] it paid no royalties whatever to defendant. Defendant rightfully cancelled the contract as provided for therein, on account of these breaches.

2. Plaintiff was not excused from continuing to report and pay royalties under the contract following the first notice of cancellation thereunder.

3. There being an express provision for cancellation by defendant in the license contract, and the breach of plaintiff being without valid excuse, but instead being one which properly led defendant to understand that plaintiff had no intention of living up to his contract, the contract was properly cancelled by defendant.

4. The terms of the contract as to royalties are clear and distinct, and there was no misunderstanding between the

parties as to the meaning of the contract, which in law might excuse failure to pay the royalties called for.

5. The failure of plaintiff to pay royalties on dies sold by him which were ultimately not paid for, was an additional breach of the contract, and the plain terms thereof, which taken with the other breaches confirms the correctness of defendant's cancellation of the contract according to its terms.

6. The decision in *Premier v. Freeman*, 84 Fed. (2d) 425 came after breaches whereby defendant had the right to cancel the contract, and on account of which the cancellation was made, and hence it has no effect here on the [fol. 91] propriety of the cancellation. This is particularly so since plaintiff made no offer whatever to pay any royalties whatever under the contract from the date of the decision until the date of trial of this cause.

7. The license contract in suit provides no warrant whatever according to its terms for plaintiff to pay on mask type dies only a royalty on the mask plate alone, where the dies were sold as a unit with the mask plate attached. Whether or not plaintiff would have to pay royalty on a complete die if it sold a mask type die as an infringer, it cannot in law maintain its contract with Freeman and refuse to pay according to its terms.

8. The license contract (Ex. I) was cancelled by defendant, Benjamin W. Freeman, for cause or breach of condition justifying the cancellation upon his (Freeman's) part.

9. Defendant, The Louis G. Freeman Company, should be dismissed with its costs. The prayer of defendant, Benjamin W. Freeman, as based upon the allegations contained in his second counterclaim is granted.

Decree accordingly.

• • • • •

[fol. 92]

June 6, 1941.

Dike, Calver & Gray, 350 Tremont Bldg., Boston, Mass.
 Kunkel & Kunkel, Fountain Square Bldg., Cincinnati,
 Ohio. Allen & Allen, Gwynne Bldg., Cincinnati, Ohio.

Re: Bee Machine Co. v. Freeman et al., No. 8566

GENTLEMEN :

The court today entered order affirming the decree of the lower court, copy of which I enclose herewith. No opinion was filed.

Yours very truly, J. W. Menzies, Clerk.

[fol. 93] UNITED STATES CIRCUIT COURT OF APPEALS, SIXTH
 CIRCUIT

No. 8566

BEE MACHINE COMPANY, Appellant,

v.

BENJAMIN W. FREEMAN and THE LOUIS G. FREEMAN COM-
 PANY, Appellees

Before Hicks, Simons and Hamilton, JJ.

JUDGMENT—Filed June 6, 1941

This cause was heard upon the transcript of record, briefs and argument of counsel, and on consideration whereof,

It Is Ordered, Adjudged and Decreed that the decree appealed from be and the same is affirmed upon the grounds and for the reasons set forth in the opinion of the District Court, including its findings of fact and conclusions of law filed August 14, 1939.

Approved for Entry.

Xen Hicks, Circuit Judge.

[fol. 94] IN UNITED STATES DISTRICT COURT, DISTRICT OF
MASSACHUSETTS

[Title omitted]

NOTICE OF MOTION TO AMEND COMPLAINT AND AMENDED
COMPLAINT

The plaintiff moves the Court to amend its complaint herein to add an Action for Treble Damages under the Anti-Trust Laws of the United States attached hereto.

Cedric W. Porter, James W. Sullivan, Attorneys for
Plaintiff.

James W. Sullivan, Security Trust Building, Lynn, Massachusetts.

To Nathan Heard, Heard, Smith & Tenant, 77 Franklin
Street, Boston, Massachusetts:

Please take notice that the undersigned will bring the above motion on for hearing before this court, Federal Building, Boston, Massachusetts at the motion session, on the 15th day of September 1941 at 2 P. M. in the afternoon of that day, or as soon thereafter as counsel can be heard.

Cedric W. Porter, James W. Sullivan, Attorneys for
Plaintiff.

[fol. 95] ADDED AMENDED COMPLAINT FOR TREBLE DAMAGES
UNDER THE ANTI TRUST LAWS OF THE UNITED STATES

1. The Action arises under the Anti-Trust Laws of the United States, Title 15 U. S. Code, Sections 1-27, and particularly Section 15 thereof, to recover three-fold the damages sustained by the plaintiff and the costs of the suit, including a reasonable attorney's fee.

2. The plaintiff is engaged in the business of manufacturing and selling dies used in shoe manufacture and particularly cut-out dies, which dies are sold and distributed by the plaintiff in commerce among the several states. "Cut-out dies" are dies used in shoe machines for making perforations, holes or "cut-outs" in the uppers of shoes for purposes of decoration, particularly women's shoes. The defendant is the owner of, (or licensee under, with the right to grant sub-licenses) United States Letters

Patent, which the defendant represents cover anvil dies, whether with or without masks, and flat bed dies when used with a mask, used in making "cut-outs". The defendant licenses the principal cut-out die manufacturers of the United States to make and sell cut-out dies to shoe manufacturers, on payment to the defendant of a 15% royalty based on the selling price of the die, and represents to shoe manufacturers that they can buy and use only cut-out dies [fol. 96] obtained from the defendant's licensees.

3. The defendant has always recognized the flat bed die even when used to make cut-outs in fitted uppers, to be unpatented and hence public property, but the defendant represents that when a "mask" (a flat sheet of metal hinged to the die which acts as a clamp for holding the work on the die and as a gauge for locating the work with respect to the die) is added to the die, it then becomes a Freeman monopoly, and that the licensee must pay royalty to the defendant on the entire die, including the old and unpatented flat bed die, and that the shoe manufacturer can obtain such dies only from defendant's licensees.

4. On June 3, 1936, in a patent infringement suit brought by the defendant Freeman against Premier Machine Company of Boston, Massachusetts, under Freeman patent No. 1,681,033, the United States Circuit Court of Appeals for the First Circuit, (reported in 84 F. (2d) 425), held the said Freeman patent invalid with regard to the anvil die, but upheld three claims relating to the mask. The defendant then disclaimed all claims relating to the anvil die. By reason of this decision and disclaimer, the anvil die became public property free from any patent monopoly. Nevertheless, the defendant continues to represent that anvil dies, whether with or without masks, are still the defendant's monopoly, and that licensees must continue paying royalties [fol. 97] thereon to the defendant under pain of having their licenses cancelled, and continues to represent to shoe manufacturers that such anvil dies whether used with or without masks, can be legally obtained only from the defendant's licensees.

5. Further, as an additional cause of action, the defendant or its authorized agent and licensee, leases or sells, and licenses shoe manufacturers to use, defendant's (or its authorized agent's) cut-out machines and combined cut-out

and marking machines, on the condition and understanding that the lessee or purchaser thereof shall not use, or deal in the goods, machinery, supplies, and particularly cut-out dies, including anvil and flat bed dies and combined cut-out and marking dies, used in such machines, made by any competitor of the defendant, or its licensees. The effect of such lease or sale on such a condition or understanding is to substantially lessen competition or to tend to create a monopoly in anvil and flat bed dies and combined cut-out and marking dies—in violation of the Anti-Trust Laws of the United States, Title 15, U. S. Code, Section 14 (commonly known as the Clayton Act).

6. As a result and by these means, the defendant has restrained trade and commerce among the several states in unpatented cut-out dies, and has largely monopolized the trade and commerce in such dies, and has substantially lessened and suppressed competition in such dies, and has [fol. 98] greatly injured the plaintiff's interstate commerce and business in such dies, whereby the plaintiff has suffered damages in a sum in excess of \$50,000.00, which the plaintiff endeavors to recover three-fold under Title 15, U. S. Code, Section 15.

Wherefore, plaintiff demands judgment against defendant in the sum of \$50,000, three-folded to not less than \$150,000.00, and the costs of this suit, including a reasonable attorney's fee.

Bee Machine Co., Inc., by Cedric W. Porter, Dike, Calver & Porter, Its Attorneys.

James W. Sullivan, Security Trust Bldg., Lynn, Massachusetts.

George P. Dike, Cedric W. Porter, Dike, Calver & Porter, 73 Tremont Street, Boston, Massachusetts.

Plaintiff hereby demands a trial by jury of any issue herein triable of right by a jury.

Dike, Calver & Porter, Attorneys for Plaintiff.

[fol. 99] *Duly sworn to by Vincent W. Burke. Jurat omitted in printing.*

[fol. 100] IN UNITED STATES DISTRICT COURT

OPINION—October 6, 1941

BREWSTER, J.:

In this action defendant has moved for a summary judgment under Rule 56 of Federal Rules of Civil Procedure. The motion is based on the doctrine of *res adjudicata*, the defendant contending that all genuine issues of facts raised by the pleadings have already been adjudicated in a suit in equity, brought by this plaintiff against this defendant and another, in the Federal Court in the Southern District of Ohio. The motion was submitted on the pleadings and affidavits which included copies of the records of the Ohio court.

No genuine issue exists respecting the following facts. The defendant entered into a license contract with the plaintiff, dated November 29, 1933, whereby the plaintiff was licensed to manufacture and sell certain devices under Letters Patent of the United States owned or controlled by defendant. This license agreement contained these paragraphs:

"10. This license may be cancelled by the Licensee upon first giving thirty (30) days written notice of the cause or breach complained of, and if not accorded within said time, a further written notice of cancellation may be sent by registered mail by licensor cancelling this license within an additional thirty (30) days from said second notice, but such cancellation shall not affect the right [fol. 101] of licensor to collect royalties then due."

"12. Licensor agrees that if in the future he should develop or acquire improvements in the dies, anvils, and masks licensed herein that the Licensee shall have the right subject to the conditions of this license, to use the same without additional royalty, and the licensee agrees that if it develops or acquires any such improvements that it will grant the Licensor . . . if requested to do by the Licensor, a right to employ the same without charge . . ."

One of the patents in the license agreement was subsequently declared invalid as to many of its claims.

(Premier Machine Co., Inc. v. Freeman, 84 F. (2d) 425.)

On September 25, 1936 the defendant gave to the plaintiff the first 30-day notice required by paragraph 10 above. The breach charged was failure to furnish complete royalty returns and to pay the stipulated royalties. After an attempted arbitration had failed, a second notice was given on May 13, 1937 cancelling the contract for breach of its conditions.

On June 3, 1937 the plaintiff filed in the United States District Court at Cincinnati a bill of complaint, praying for injunctive relief against the attempted cancellation, for an accounting to establish the royalties due, and for an order to compel the defendant to comply with the provisions of the license set forth in paragraph 12, above noted. In the bill plaintiff alleged the execution of the license contract, an overpayment of royalties, the failure of defendant to carry out his agreements respecting future developments and improvements and other wrongful acts of defendant calculated and intended to injure the plaintiff in its business. The defendant, in his answer, denied these allegations, except as to the execution of the contract, and also counter-claimed for royalties due before cancellation and for infringement thereafter.

Before hearing, the parties entered into a stipulation agreeing that the issue of the existence of a license agreement between the parties should be tried first under Equity Rule 29, the case to proceed without amendment to the pleadings at that time. The court heard the parties and thereafter submitted findings of fact and conclusions of law in a written opinion which was subsequently adopted by the Circuit Court of Appeals for the Sixth Circuit in affirming the decree of the court entitled an "Interlocutory Judgment." In this judgment it was adjudicated and decreed that the original bill be dismissed, that amendments be allowed and the amended bill dismissed; that the license was legally cancelled for breach of conditions justifying cancellation. The first counter-claim was allowed in part and the matter referred to a master for an accounting, and [fol. 103] the second counterclaim for infringement was reserved for further hearing. A motion by plaintiff to file a supplemental bill was denied without prejudice to plaintiff's rights to bring to the attention of the court, by appropriate proceedings, "any infraction of its rights which it believes the defendant has committed or is committing

in connection with representations or threats to the trade or plaintiff's customers."

From an examination of the findings and conclusions of the court, it is clear that the only issues concluded by the judgment were whether the plaintiff had breached the license by failing to pay the royalties required by the license entitling the defendant to cancel the contract pursuant to its terms, and whether the defendant had taken appropriate steps to terminate it. On these issues turn the single issue as to the existence of a license agreement between the parties, the only issue tried according to the stipulation. The decision went for the defendant. Other issues, such as an accounting respecting royalties due prior to cancellation and infringement thereafter, were left open, as also was the question whether defendant had invaded plaintiff's rights by threats or representations to the trade and plaintiff's customers.

Turning now to the case at bar, the action was removed from the State court. It is an action of contract, brought to recover damages for alleged breach of contract, namely,—[fol. 104] the license agreement. The declaration sets forth the material portions of paragraph 12 of the license quoted above; the failure of the defendant to give to plaintiff the right to use, manufacture and sell certain improvements in the licensed devices which defendant had developed or acquired; the refusal of defendant to furnish plaintiff with "necessary drawings and model parts required for the manufacture of the said improvements." The plaintiff also, in its declaration, charges defendant with facilitating and encouraging other licensees in the same territory in the manufacture and sale of said improvements; with representing to the trade and to plaintiff's customers that plaintiff was not licensed to manufacture and sell said improvements, and intimating that anyone purchasing such improvements from plaintiff would be subjected to litigation instituted by the defendant.

The plaintiff, in its declaration, asserts that the license imposed legal obligations upon the defendant to secure to plaintiff the full enjoyment and benefit of the license and to refrain from acts resulting in an impairment of the value of the rights and privileges granted to plaintiff by said license. The alleged violations of this duty are (1) failure and refusal of defendant to prevent unauthorized

manufacture and sale of the licensed device; (2) by granting to other licensees the right to sell to plaintiff's customers [fol. 105] but not to customers of other licensees; and (3) other wrongful acts intended to diminish and destroy the value of the license,—all resulting in substantial damage.

Defendant, in his answer, pleads *res adjudicata* and denies the allegations of the declaration except the existence of the license and the allegations respecting the 12th paragraph. He alleges the cancellation of the license for breach of conditions.

The pleadings here, no doubt, raise issues of material facts. The question presented is whether they can be deemed genuine issues when considered in the light of material facts, above recited, which are established by the record and concerning which there is, and can be, no genuine issue.

It is the defendant's contention that enough has already been adjudicated to defeat the plaintiff's right to recover in this action, even if all the findings in the earlier suit were not necessarily involved in the decision of the court. This contention is based on the doctrine that a party who breaks a contract cannot recover upon it unless the broken promise is independent of the promise which he seeks to enforce. The rule obtains in this circuit.

McNeal-Edwards Co. v. Frank L. Young Co., 51 F. (2d) 699;

Roig v. Electrical Research Products, Inc., 57 F. (2d) 639;

[fol. 106] *Penley Bros. Co. v. Hall*, 84 F. (2d) 371.

This action is in contract. The alleged cause of action arises wholly from the license agreement. It must be construed as imposing upon the parties reciprocal rights and obligations. It does not create independent promises. The rule applies, and the breach by plaintiff, the adjudication of which is conceded, precludes recovery.

The plaintiff, however, would invoke the well-recognized rule that only those facts become adjudicated which were necessarily the basis of the relief, denial of relief or other ultimate rights established by the judgment,

Olsen v. Olsen, 294 Mass. 507;

Cambria v. Jeffrey, 307 Mass. 49,

or were, under appropriate pleadings, actually passed upon.
Sandler v. Silk et als., 292 Mass. 493, 498.

The plaintiff argues that all that was adjudicated was whether the license was legally terminated. Undoubtedly that is so, not because of that part of the judgment denying equitable relief but because of the stipulated issue submitted, and that part of the judgment which orders, adjudges and decrees that the license agreement was properly cancelled by the defendant "for cause or breach of condition by the plaintiff justifying the cancellation upon his (Freeman's) part." Since non-performance by one party excuses non-performance by the other in the case of a bilateral contract containing mutual promises (Federal [fol. 107] law contracts, sec. 471), it is difficult to see how the court could have concluded that the cancellation was justifiable without passing upon the defendant's failures, alleged as grounds for denying his right to terminate the license.

The facts established beyond controversy prevent a recovery in this action. No genuine issue of a material fact remains to be considered.

A summary judgment in favor of the defendant may properly be entered. It is so ordered.

IN UNITED STATES DISTRICT COURT

OPINION—January 16, 1942

BREWSTER J.:

The plaintiff brought an action of contract against the defendant in the State court. The action was based solely upon alleged breach of defendant's agreements contained in a license agreement relating to the manufacture and sale of devices covered by Letters Patent owned or controlled by the defendant.

This action was removed to this court where the defendant moved for a summary judgment under Rule 56 of the Federal Rules of Civil Procedure. This motion, after hearing, was allowed on the ground that the doctrine of res adjudicata applied. On the day before the hearing on defendant's motion for a summary judgment, the plaintiff filed a motion to add to its complaint a new cause of action. The hearing on defendant's motion proceeded nevertheless, but an entry of a summary judgment for the defendant was suspended to await action upon plaintiff's motion to amend. The parties have now been heard upon this motion, which is entitled—"Added Amended Com-

plaint for Treble Damages Under the Anti Trust Laws of the United States." The first paragraph is as follows:

"1. The Action arises under the Anti-Trust Laws of the United States, Title 15 U. S. Code, Sections 1-27, and particularly Section 15 thereof, to recover three-fold the damages sustained by the plaintiff and the costs of the suit, including a reasonable attorney's fee."

Then follow allegations charging a monopoly denounced by the anti-trust laws and a demand for judgment against the defendant for three-fold damages.

The question presented is whether this amendment should be allowed.

There can be no doubt that the added amendment presents a cause of action entirely distinct from the original. It cannot even be treated as a supplemental complaint under Rule 15(b) of the Federal Rules of Civil Procedure as it does not set forth transactions or occurrences or events which happened since the date of the bringing of the suit.

[fol. 109] This court has jurisdiction under the anti-trust laws over a non-resident only if he is found in the district or has an agent therein. (15 U. S. C. A. 15) The defendant while in the Commonwealth was served with process in a common law action of contract. The plaintiff obviously seeks to take advantage of this fact in order to obtain jurisdiction over the person in a suit involving a new and entirely different subject-matter, namely,—the enforcement of rights arising under federal statutes. In these circumstances a court might well manifest reluctance to take jurisdiction. However, there are other and more cogent reasons why the plaintiff's motion should not be allowed.

The rights and remedies which plaintiff now seeks to enforce spring exclusively from federal statutes.

Geddes v. Anaconda Copper Mining Company, 254 U. S. 590, 593;

See also—

United States v. Cooper Corporation, 312 U. S. 600.

Actions based solely upon the Federal Anti-Trust laws can be brought only in the Federal courts.

Lambert Run Coal Co. v. Baltimore & Ohio Railroad Co., 258 U. S. 377, 382;

General Investment Co. v. Lake Shore & M. S. Ry. Co., 260 U. S. 261, 286.

See also—

Southern States Oil Co. v. Standard Oil Co. of N. J.,
26 F. Supp. 633, 634.

[fol. 110] The jurisdiction of the Federal court in an action removed from the State court is derivative, and if the State court was without jurisdiction to entertain the cause of action set up in plaintiff's motion, then this court is also without jurisdiction.

Lambert Run Coal Co. v. Baltimore & Ohio Railroad Co., *supra*;

General Investment Co. v. Lake Shore & M. S. Ry. Co., *supra*;

Carroll v. Warner Bros. Pictures, Inc., 20 F. Supp. 405.

In the *General Investment Co.* case the court observed (page 288):

“When a cause is removed from a state court into a federal court the latter takes it as it stood in the former. A want of jurisdiction in the state court is not cured by the removal, but may be asserted after it is consummated.”

In that case, so much of the bill as based the right to relief on the Anti-Trust Laws was dismissed for want of jurisdiction.

In the *Carroll* case the court was dealing with an amended complaint, and it was there held that a plaintiff could not plead after removal an additional cause of action over which the state court would not have had jurisdiction in the first instance.

It follows from the foregoing that if the plaintiff is allowed to add the cause of action alleged in its motion, the amended complaint would be subject to successful attack on [fol. 111] jurisdictional grounds. For that reason there would seem to be no room for the exercise of discretion on the part of the court.

The motion is, therefore, denied without prejudice to plaintiff's right to seek redress by suit brought originally in the Federal court.

A summary judgment for the defendant may now be entered in the pending action in conformity with my opinion, filed October 6, 1941.

IN UNITED STATES DISTRICT COURT

SUMMARY JUDGMENT—January 16, 1942.

BREWSTER, J. In accordance with the opinion of the court handed down this day in the above entitled action, it is Ordered

Judgment for the defendant in conformity with the opinion of the court filed October 6, 1941, herein, and for his costs taxed at \$——.

By the Court:

John E. Gilman, Jr., Deputy Clerk.

Entered Jan. 16, 1942.

[fol. 112] IN UNITED STATES DISTRICT COURT

APPELLANT'S STATEMENT OF POINTS TO BE RELIED ON—
March 16, 1942

Plaintiff-Appellant, Bee Machine Co. Inc. will rely upon the following points on its appeal:

1. The District Court erred in entering summary judgment dismissing the Complaint as res adjudicata.
2. The District Court erred in denying Plaintiff's motion to amend the complaint to add an Action for Trebled Damages Under the Anti-Trust Laws of the United States.

Dike, Calver & Porter, Attorneys for Plaintiff-Appellant, 73 Tremont Street, Boston, Massachusetts.

Boston, Massachusetts, March 16, 1942.

IN UNITED STATES DISTRICT COURT

PLAINTIFF APPELLANT'S DESIGNATION OF CONTENTS OF
RECORD ON APPEAL—March 16, 1942

1. Plaintiff's Writ and Declaration—Superior Court, Essex County.
2. Papers attached to Declaration Removing Case to Federal Court.
3. Defendant's Answer.

4. Plaintiff's Demand for Jury Trial.
 [fol. 113] 5. Plaintiff's Replication to Defendant's Alleged "Counterclaim".

6. Defendant's Motion for Summary Judgment and Attached Papers.

7. Affidavit of Marston Allen, dated June 25, 1941, and attached Papers.

8. Notice of Motion and Amended Complaint for Treble Damages Under the Anti-Trust Laws of the United States, filed July 9, 1941.

9. Opinion of District Court, dated October 6, 1941.

10. Opinion of District Court, dated January 16, 1941.

11. Final Judgment entered January 16, 1942.

12. Appellant's Statement of Points To Be Relied On.

13. This Designation.

Dike, Calver & Porter, Attorneys for Plaintiff-Appellant, 73 Tremont Street, Boston, Massachusetts.

Boston, Massachusetts, March 16, 1942.

[fol. 114] IN UNITED STATES DISTRICT COURT

STIPULATION AS TO RECORD—Filed May 5, 1942

It is hereby agreed and stipulated by and between the parties in the above-entitled action that the foregoing printed copy of the case is a true copy of all papers and portions of the record of the District Court required to be printed and included in the record on appeal, and the clerk is hereby authorized to certify the same.

Cedric W. Porter, Dike, Calver & Porter, Attorneys for Plaintiff. Nathan Heard, Attorney for Defendant.

Boston, Massachusetts, May 2, 1942.

[fol. 115] Clerk's Certificate to foregoing transcript omitted in printing.

(Memorandum: An order of enlargement of time for docketing case to, and including, June 3, 1942, is here omitted. A. I. Charron, Clerk.)

[fol. 116] Proceedings in Circuit Court of Appeals.

On October 7, 1942, this cause came on to be heard, and was fully heard by the court, Honorable Calvert Magruder, Honorable John C. Mahoney, and Honorable Peter Woodbury, Circuit Judges, sitting.

Thereafter, to wit, on November 6, 1942, the following opinion of the court was filed:

[fol. 117] UNITED STATES CIRCUIT COURT OF APPEALS FOR THE
FIRST CIRCUIT, OCTOBER TERM, 1942

No. 3781

BEE MACHINE CO., INC., Plaintiff, Appellant,

v.

BENJAMIN W. FREEMAN, Defendant, Appellee

Appeal from the District Court of the United States for the
District of Massachusetts

Before Magruder, Mahoney and Woodbury, JJ.

George P. Dike, Cedric W. Porter, for Appellant.
Nathan Heard, Marston Allen, for Appellee.

OPINION OF THE COURT—November 6, 1942

WOODBURY, J.:

On February 3, 1941, the plaintiff, a Massachusetts corporation, brought an action at law against the defendant, a citizen of Ohio, in the Superior Court of the Commonwealth of Massachusetts for breach of a contract entered into between them on November 29, 1933. In this action personal service was made on the defendant when he happened to be in Boston. By the terms of the contract in suit, the defendant, as the owner of certain patents, gave to the plaintiff a non-exclusive license to manufacture and sell the patented articles in New England and New York, and the plaintiff agreed to pay royalties on the articles it [fol. 118] sold and to render to the defendant periodical accounts of its sales. In the declaration filed in this action the plaintiff alleged that it had fully performed all of the

obligations imposed upon it by the contract but that the defendant had not, in that, in violation of clause 12 of the contract,¹ he had "failed and refused to furnish and deliver to the plaintiff the indispensable and necessary drawings and model parts required for the manufacture" of certain improvements in the patented articles which he had developed or acquired. In its declaration the plaintiff also alleged that the defendant had injured the plaintiff's business by providing such drawings and parts to his other licensees operating in the territory covered by the plaintiff's license, and by representing to the trade and to the plaintiff's customers that the plaintiff was not licensed to manufacture and sell the patented articles as improved and anyone purchasing such improved articles from the plaintiff would be subjected to suits for patent infringement.

The defendant, appearing specially, removed the action to the United States District Court for the District of Massachusetts on the ground of diversity of citizenship and amount in controversy; answered alleging that the issues set forth in the declaration had been previously determined adversely to the plaintiff by a final judgment entered by the United States District Court of the Southern District of Ohio, Western Division; and filed a counterclaim for damages alleged to have been sustained by him by reason of the necessity of defending himself "in this cause, most wrongfully brought". He then moved for a summary judgment under Rule 56 (b) of the Federal Rules of Civil Procedure. On the day before this motion was to come up [fol. 119] for hearing the plaintiff moved to amend its declaration by adding thereto a complaint for treble damages under the anti-trust laws of the United States.

The district court granted the defendant's motion for summary judgment and denied the plaintiff's motion to amend and thereupon entered judgment for the defendant. The plaintiff then took this appeal.

¹ Clause 12, in so far as material here, reads as follows: Licensor agrees that if in the future he should develop or acquire improvements in the dies, anvils, and masks licensed herein that the Licensee shall have the right, subject to the conditions of this license, to use the same without additional royalty.

Federal jurisdiction on the ground of diversity of citizenship and amount in controversy is clear. Our jurisdiction over this appeal under 28 U. S. C. § 225 is equally clear.

We shall first consider the question of *res adjudicata* raised by the granting of the defendant's motion for a summary judgment. We turn, therefore, to the record of the litigation between the parties in Ohio.

It appears that in June, 1937, the plaintiff filed a bill in equity against the defendant in the United States District Court for the Southern District of Ohio, Western Division, in which it set out the contract of November 29, 1933; alleged its full compliance with the terms of that contract, and breaches thereof by the defendant. The breaches alleged were (1) that the defendant had refused to credit the plaintiff with overpayments of royalties; (2) that for the purpose of harassing the plaintiff into concessions with respect to its claim of over-payment of royalties and "to create apprehension on the part of the plaintiff that it might lose its license", the defendant, "without any justification whatever" had begun proceedings to cancel the contract according to the provisions of clause 10 thereof² which [fol. 120] proceedings he proposed to prosecute unless enjoined; and (3) that the defendant, in breach of clause 12 of the contract, refused to provide the plaintiff with the information necessary to enable it to manufacture the patented articles with the improvements therein which the defendant had developed or acquired. The relief asked for in this suit was for an injunction to restrain the defendant from terminating the contract; for an accounting of royalties; for an order requiring the defendant to disclose to the plaintiff the improvements which he had made so that the plaintiff might manufacture the articles as improved, and for such other and further relief as justice and equity require.

² This clause in full reads as follows: This license may be cancelled by the licensor for cause or breach of condition by the Licensee upon first giving thirty (30) days written notice of the cause or breach complained of, and if not corrected within said time, a further written notice of cancellation may be sent by registered mail by Licensor cancelling this license within an additional thirty (30) days from said second notice, but such cancellation shall not affect the right of Licensor to collect royalties then due.

The defendant answered denying that he had broken the contract but alleging that the plaintiff had, and that in consequence he had the right to cancel under clause 10 above. He also filed two counterclaims, one for an accounting of royalties which he alleged the plaintiff owed him, and the other for infringement of the patents in question by the plaintiff.

Before trial counsel for the parties stipulated "that the issue of the existence of a License Agreement between the parties shall be tried first and separately". After full hearing on this issue the court, ruling "that the License Agreement between the parties was properly cancelled by the defendant, Freeman, for cause or breach of condition by the plaintiff justifying the cancellation upon his (Freeman's) part", entered a decree dismissing the plaintiff's bill of complaint. The court referred the defendant's first counterclaim, "insofar as it seeks an accounting against the plaintiff of the amounts due from the plaintiff to the defendant", to a master for hearing and report. It did not pass upon the merits of the defendant's second counterclaim but left the matter of patent infringement raised thereby "to further hearing and trial between the parties".

On appeal the United States Circuit Court of Appeals, [fol. 121] Sixth Circuit, affirmed the decree of the district court without opinion.

The plaintiff contends that the doctrine of *res adjudicata* cannot be invoked to bar it from proceeding to trial in the Massachusetts action because the decree in the suit in Ohio was only an interlocutory one. While it is true that the decree of the district court in Ohio was interlocutory, it was interlocutory only in that the issues raised by the defendant's counterclaims were not fully determined but were left for further litigation between the parties. After full hearing the court decided the only issue submitted to it under the stipulation of counsel quoted above, that is, the issue of the existence of the license contract, and it resolved that issue in favor of the defendant. That is, the court decided that although there had been at one time a contract between the parties, the defendant, Freeman, had acted within the rights conferred upon him by that contract when he cancelled it for violation of its terms by the plaintiff, Bee Machine Company. It seems to us clear that the determination of this issue by the Ohio Court was final. As to the issue before it that Court left nothing open for later

decision after further hearing, and counsel for each party appears to have been afforded full opportunity to present his case upon it. We see no reason why, as to the issue considered, the decree of the District Court for the Southern District of Ohio should not be regarded as final, for purposes of *res adjudicata*, especially in view of its affirmance on appeal by the circuit court of appeals.

We proceed, then, with our consideration of the applicability here of the doctrine of *res adjudicata* with two matters established (a) the identity of the parties in both the suit in equity in Ohio and in the action at law in Massachusetts, and (b) the finality of the decree entered in the suit in equity in so far as it determined that the contract between [fol. 122] the parties had been properly cancelled by the defendant for breaches thereof by the plaintiff.

The contract in suit is not a severable one. Looking at the instrument as a whole it is clear that the promises of the defendant, licensor, were made to depend upon the payment to him by the plaintiff, licensee, of the royalties agreed upon. *Penley Bros. Co. v. Hall*, 84 F. (2d) 371, 374. No part of it could be performed independently of any other part, and it is well settled that an action for damages for breach of such a contract cannot be maintained without proof of performance, or of a legally sufficient excuse for non-performance, by the plaintiff. "In promises for an agreed exchange, any material failure of performance by one party not justified by the conduct of the other discharges the latter's duty to give the agreed exchange even though his promise is not in terms conditional." *Am. Law Inst., Restatement of Contracts*, § 274. Or, as stated by this court with respect to a contract very similar to the one under consideration in the case at bar "It is well settled that a party who breaks a contract is precluded from recovering upon it, except upon proof that the part of the contract which he broke was independent of the part which he seeks to enforce." *Penley Bros. Co. v. Hall*, *supra*.

Thus, to recover in the Massachusetts action the plaintiff must prove its allegation that it had fully performed its obligations under the contract. Can it do this in the face of the decree of the Ohio Court? We take the view that it cannot.

The reason we take this view is that the Ohio Court based its decree of dismissal upon the ground that the defendant

properly cancelled the license agreement "for cause or breach of condition" by the plaintiff justifying such action. That is to say, it denied the plaintiff the relief which it sought because it concluded that the plaintiff had itself broken the contract. Clearly the plaintiff's performance [fol. 123] of its obligations under the contract was an issue raised by the pleadings on file in the case before the Ohio Court, and from the parts of the decree of that Court quoted in this opinion, as well as from its memorandum of decision, it is clear that the result which it reached was based solely upon its determination of that issue.

From this it follows that the plaintiff fails in its attempt to invoke the rule that if the second action is not for the same cause of action as the first, the first action adjudicates only such facts as are shown to have been the basis of the relief, denial of relief, or other ultimate right established by the judgment or decree in that action.

The rule applicable to the situation disclosed by the case at bar is well stated in *Am. Law Inst., Restatement of Judgments*, (Second Revise) § 68 as follows: "Where a question of fact essential to the judgment is actually litigated and determined by a valid and final judgment, the determination is conclusive between the parties in a subsequent action on a different cause of action."

We pass now to the question raised by the denial of the plaintiff's motion for leave to amend its complaint for breach of contract by adding thereto a claim for treble damages under the federal anti-trust law.

If the plaintiff had brought its action in the first place in the federal district court, it seems clear that under Rule 18 (a) of the *Federal Rules of Civil Procedure*, it could have joined a claim under the anti-trust laws to a claim for breach of contract in one complaint. See 2 *Moore's Federal Practice Under the New Federal Rules*, § 18.02. This being so, in an action begun in a federal district court, there could be no valid objection on the ground of misjoinder of actions to amending, by leave of court if necessary, (Rule 15 (a) of the *Federal Rules of Civil Procedure*) a complaint claiming for breach of contract by adding thereto a claim under the anti-trust laws. [fol. 124] But, the action in the case at bar was begun in a court of the Commonwealth of Massachusetts, a court which, although it had jurisdiction over the claim for breach of

contract, did not have jurisdiction over the claim under the anti-trust laws. 15 U. S. C. § 15; *Blumenstock Bros. v. Curtis Pub. Co.*, 252 U. S. 436, 440. For this reason the court below held that it did not have jurisdiction to allow the amendment because the only jurisdiction which it had derived from the jurisdiction of the Massachusetts Court.

There are authorities squarely in support of this view, (*Carroll v. Warner Bros. Pictures*, 20 F. Supp. 405; *Noma Electric Corp. v. Polaroid Corp.*, 2 F. R. D. 454), but they are not binding upon us and we decline to follow them.

The court below, and the district courts in the cases cited, reached their result by applying the rule applied by the Supreme Court in *Lambert Run Coal Co. v. Baltimore & Ohio Railroad Co.*, 258 U. S. 377, 382; *General Investment Co. v. Lake Shore etc. Railway Co.*, 260 U. S. 261, 288; and *Minnesota v. United States*, 305 U. S. 382, 389, which was stated by Mr. Justice Brandeis in the case last cited as follows: "If Congress did not grant permission to bring this condemnation proceeding in a state court, the federal court was without jurisdiction upon its removal. For jurisdiction of the federal court on removal is, in a limited sense, a derivative jurisdiction. Where the state court lacks jurisdiction of the subject matter or of the parties, the federal court acquires none, although in a like suit originally brought in a federal court it would have had jurisdiction."

In our opinion the above rule was misapplied by the court below.

The Supreme Court in the cases cited above had under consideration the situation presented when an action over which a state court had no jurisdiction was removed to a federal court, and it held that, the state court having no jurisdiction the federal court could acquire none upon removal even though the federal court would have had jurisdiction if the action had originally been brought in that court. The reason for this rule appears to be that because of lack of jurisdiction there was, legally speaking, no action pending in the state court and hence no action which could be removed to the federal court.

But in the case at bar, as well as in the *Carroll* and *Noma Electric Corp.* cases, the state court had jurisdiction over the action as it stood in that court and hence there was pending before it an action which could be removed. The question here presented is whether, after the removal of the

action, it can be amended by adding a claim which the federal court has jurisdiction to try, but which the state court would have lacked if the claim had been advanced while the action was there pending. The reason for the Supreme Court rule clearly fails in cases like the present. Furthermore, allowance of the amendment would not do violence to, but would effectuate, the purpose of the section of the removal statute (28 U. S. C. § 81) which provides: "The district court of the United States shall, in all suits removed under the provisions of this chapter, proceed therein as if the suit had been originally commenced in said district court."

And the allowance of such an amendment works no undue hardship upon a defendant for, as stated in 1 *Moore's Federal Practice under the New Federal Rules* § 15.01, in criticism of the *Carroll* case: "The holding of the instant case compels the plaintiff to institute a separate action for violation of the anti-trust laws. But if this is done, and the action is brought in the federal district court where the removed action is pending the court may consolidate it with the removed action pursuant to Rule 42. Since federal jurisdiction will not be enlarged by the amendment, practical considerations justify amendment in situations of this kind." Allowing the amendment, then, provides in effect [fol. 126] only a convenient short cut to a result attainable in a more round-about way. We see no valid reason why, in the discretion of the district court, this short cut should not be taken. See the note appearing in 51 *Harv. Law Rev.* 927.

The fact that in all probability the plaintiff in the case at bar could not bring a separate action under the anti-trust laws against the defendant in the district court sitting in Massachusetts because the defendant could avoid the service of process upon him by remaining outside of the district cannot effect the jurisdiction of the court to allow the amendment. This is only a fact to be considered by the district court in exercising its discretionary power to allow or disallow the amendment. Since the court below did not exercise its discretionary power but ruled that it lacked jurisdiction to allow the amendment we must remand to that court for further proceedings.

The judgment of the District Court is vacated and the case is remanded to that court for further proceedings not inconsistent with this opinion. Neither party recovers costs in this court.

On the same date, to wit, November 6, 1942, the following Judgment was entered:

JUDGMENT—November 6, 1942

This cause came on to be heard October 7, 1942, upon the transcript of record of the District Court of the United States for the District of Massachusetts, and was argued by counsel.

Upon consideration whereof, It is now, to wit, November 6, 1942, here ordered, adjudged and decreed as follows: The judgment of the District Court is vacated and the case is remanded to that court for further proceedings not in-[fol. 127] consistent with the opinion passed down this day. Neither party recovers costs in this court.

By the Court,

(S.) Arthur I. Charron, Clerk.

Thereafter, to wit, on November 23, 1942, mandate issued.

Clerk's Certificate to foregoing transcript omitted in printing.

(4472)

[fol. 128] SUPREME COURT OF THE UNITED STATES

[Title omitted]

ORDER ALLOWING CERTIORARI—Filed March 15, 1943

The petition herein for a writ of certiorari to the United States Circuit Court of Appeals for the First Circuit is granted.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

(5316)